

Calendar No. 483

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> Session

**S. 2206**

[Report No. 105-256]

**A BILL**

To amend the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, and the Community Services Block Grant Act to reauthorize and make improvements to those Acts, to establish demonstration projects that provide an opportunity for persons with limited means to accumulate assets, and for other purposes.

JULY 21, 1998

Reported with an amendment

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**IN THE SENATE OF THE UNITED STATES**

**JUNE 23, 1998**

Mr. COATS (for himself, Mr. DODD, Mr. JEFFORDS, and Mr. KENNEDY) introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

**JULY 21, 1998**

Reported by Mr. JEFFORDS, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italie*]

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**A BILL**

To amend the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, and the Community Services Block Grant Act to reauthorize and make improvements to those Acts, to establish demonstration projects that provide an opportunity for persons with limited means to accumulate assets, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
 2        *tives of the United States of America in Congress assembled,*

3        **SECTION 1. SHORT TITLE.**

4        This Act may be cited as the “Human Services Reau-  
 5        thorization Act of 1998”.

6        **SEC. 2. TABLE OF CONTENTS.**

7        The table of contents for this Act is as follows:

Sec. 1. Short title.  
 Sec. 2. Table of contents.

TITLE I—HEAD START PROGRAMS

Sec. 101. Short title.  
 Sec. 102. References.  
 Sec. 103. Statement of purpose.  
 Sec. 104. Definitions.  
 Sec. 105. Financial assistance for Head Start programs.  
 Sec. 106. Authorization of appropriations.  
 Sec. 107. Allotment of funds.  
 Sec. 108. Designation of Head Start agencies.  
 Sec. 109. Quality standards.  
 Sec. 110. Powers and functions of Head Start agencies.  
 Sec. 111. Head Start transition.  
 Sec. 112. Submission of plans to Governors.  
 Sec. 113. Participation in Head Start programs.  
 Sec. 114. Early Head Start programs for families with infants and toddlers.  
 Sec. 115. Technical assistance and training.  
 Sec. 116. Staff qualifications and development.  
 Sec. 117. Research, demonstration, and evaluation.

TITLE II—COMMUNITY SERVICES BLOCK GRANT PROGRAM

Sec. 201. Reauthorization.  
 Sec. 202. Conforming amendments.  
 Sec. 203. Repealers.

TITLE III—LOW-INCOME HOME ENERGY ASSISTANCE

Sec. 301. Authorization.  
 Sec. 302. Definitions.  
 Sec. 303. Natural disasters and other emergencies.  
 Sec. 304. State allotments.  
 Sec. 305. Administration.  
 Sec. 306. Payments to States.  
 Sec. 307. Residential Energy Assistance Challenge option.  
 Sec. 308. Technical assistance, training, and compliance reviews.

TITLE IV—ASSETS FOR INDEPENDENCE

Sec. 401. Short title.  
 Sec. 402. Findings.  
 Sec. 403. Purposes.  
 Sec. 404. Definitions.  
 Sec. 405. Applications.  
 Sec. 406. Demonstration authority; annual grants.  
 Sec. 407. Reserve fund.  
 Sec. 408. Eligibility for participation.  
 Sec. 409. Selection of individuals to participate.  
 Sec. 410. Deposits by qualified entities.  
 Sec. 411. Local control over demonstration projects.  
 Sec. 412. Annual progress reports.  
 Sec. 413. Sanctions.  
 Sec. 414. Evaluations.  
 Sec. 415. Treatment of funds.  
 Sec. 416. Authorization of appropriations.

# 1                   **TITLE I—HEAD START** 2                   **PROGRAMS**

## 3   **SEC. 101. SHORT TITLE.**

4           This title may be cited as the “Head Start Amend-  
 5   ments of 1998”.

## 6   **SEC. 102. REFERENCES.**

7           Except as otherwise expressly provided, wherever in  
 8   this title an amendment or repeal is expressed in terms  
 9   of an amendment to, or repeal of, a section or other provi-  
 10   sion, the reference shall be considered to be made to a  
 11   section or other provision of the Head Start Act (42  
 12   U.S.C. 9831 et seq.).

## 13   **SEC. 103. STATEMENT OF PURPOSE.**

14           The Head Start Act is amended by striking section  
 15   636 (42 U.S.C. 9831) and inserting the following:

## 16   **“SEC. 636. STATEMENT OF PURPOSE.**

17           “‘It is the purpose of this subchapter to promote  
 18   school readiness by enhancing the social and cognitive de-

1 velopment of low-income children through the provision;  
 2 to low-income children and their families, of health, edu-  
 3 cational, nutritional, social, and other services that are de-  
 4 termined to be necessary, based on family needs assess-  
 5 ments.”.

6 **SEC. 104. DEFINITIONS.**

7 Section 637 (42 U.S.C. 9832) is amended—

8 (1) by redesignating paragraphs (3) through  
 9 (14) as paragraphs (4) through (15), respectively;

10 (2) by inserting after paragraph (2) the follow-  
 11 ing:

12 “(3) The term ‘child with a disability’ means—

13 “(A) a child with a disability, as defined in  
 14 section 602(3) of the Individuals with Disabil-  
 15 ities Education Act; and

16 “(B) an infant or toddler with a disability,  
 17 as defined in section 632(5) of such Act.”;

18 (3) by striking paragraph (5) (as redesignated  
 19 in paragraph (1)) and inserting the following:

20 “(5) The term ‘family literacy services’ means  
 21 services that—

22 “(A) are provided to participants who re-  
 23 ceive the services on a voluntary basis;

24 “(B) are of sufficient intensity, and of suf-  
 25 ficient duration, to make sustainable changes in

a family (such as eliminating or reducing dependence on income-based public assistance); and

“(C) integrate each of—

“(i) interactive literacy activities between parents and their children;

“(ii) training for parents on being partners with their children in learning;

“(iii) parent literacy training, including training that contributes to economic self-sufficiency; and

“(iv) appropriate instruction for children of parents receiving the parent literacy training.”;

(4) in paragraph (7) (as redesignated in paragraph (1)), by adding at the end the following:

“Nothing in this paragraph shall be construed to require an agency to provide services to a child who has not reached the age of compulsory school attendance for more than the number of hours per day permitted by State law (including regulation) for the provision of services to such a child.”;

(5) by striking paragraph (13) (as redesignated in paragraph (1)) and inserting the following:

1           “(13) The term “migrant or seasonal Head  
2       Start program” means—

3           “(A) with respect to services for migrant  
4       farmworkers; a Head Start program that serves  
5       families who are engaged in agricultural labor  
6       and who have changed their residence from 1  
7       geographic location to another in the preceding  
8       2-year period; and

9           “(B) with respect to services for seasonal  
10      farmworkers; a Head Start program that serves  
11      families who are engaged primarily in seasonal  
12      agricultural labor and who have not changed  
13      their residence to another geographic location in  
14      the preceding 2-year period.”; and

15      (6) by adding at the end the following:

16      “(16) The term ‘reliable and replicable’, used  
17      with respect to research, means an objective, valid,  
18      scientific study that—

19           “(A) includes a rigorously defined sample  
20      of subjects, that is sufficiently large and rep-  
21      resentative to support the general conclusions of  
22      the study;

23           “(B) relies on measurements that meet es-  
24      tablished standards of reliability and validity;

1           “(C) is subjected to peer review before the  
2           results of the study are published; and

3           “(D) discovers effective strategies for en-  
4           hancing the development and skills of chil-  
5           dren.”.

6 **SEC. 105. FINANCIAL ASSISTANCE FOR HEAD START PRO-**  
7 **GRAMS.**

8           Section 638(1) (42 U.S.C. 9833(1)) is amended—

9           (1) by striking “aid the” and inserting “enable  
10          the”; and

11          (2) by striking the semicolon and inserting  
12          “and attain school readiness;”.

13 **SEC. 106. AUTHORIZATION OF APPROPRIATIONS.**

14          Section 639 (42 U.S.C. 9834) is amended—

15          (1) in subsection (a), by striking “1995 through  
16          1998” and inserting “1999 through 2003”; and

17          (2) in subsection (b), by striking all that follows  
18          “shall make available—” and inserting the following:

19               “(1) for each of fiscal years 1999 through 2003  
20          to carry out activities authorized under section  
21          642A, not more than \$35,000,000 but not less than  
22          was made available for such activities for fiscal year  
23          1998;



1           “(2) not more than \$5,000,000 for each of fis-  
 2           cal years 1999 through 2003 to carry out impact  
 3           studies under section 649(f); and

4           “(3) not more than \$12,000,000 for fiscal year  
 5           1999, and such sums as may be necessary for each  
 6           of fiscal years 2000 through 2003, to carry out  
 7           other research, demonstration, and evaluation activi-  
 8           ties, including longitudinal studies, under section  
 9           649.”.

10 **SEC. 107. ALLOTMENT OF FUNDS.**

11           (a) ALLOTMENTS.—Section 640(a) (42 U.S.C.  
 12 9835(a)) is amended—

13                   (1) in paragraph (2)—

14                           (A) in subparagraph (A)—

15                                   (i) by striking “handicapped children”  
 16                                   and inserting “children with disabilities”;

17                                   (ii) by striking “migrant Head Start  
 18                                   programs” each place it appears and in-  
 19                                   serting “migrant or seasonal Head Start  
 20                                   programs”;

21                                   (iii) by striking “1994” and inserting  
 22                                   “1998”; and

23                                   (iv) by adding at the end the follow-  
 24                                   ing: “In determining the need and demand  
 25                                   for migrant and seasonal Head Start pro-

grams, and services provided through such programs, the Secretary shall consult with appropriate entities, including providers of services for seasonal and migrant Head Start programs. The Secretary shall, after taking into consideration the need and demand for migrant and seasonal Head Start programs, and such services, ensure that there is an adequate level of such services for the children of eligible migrant farmworkers before approving an increase in the allocation provided for children of eligible seasonal farmworkers.”;

(B) in subparagraph (C), by striking “and” at the end;

(C) in subparagraph (D), by striking “related to the development and implementation of quality improvement plans under section 641A(d)(2)” and inserting “carried out under paragraph (1), (2), or (3) of section 641A(d) related to correcting deficiencies and conducting proceedings to terminate the designation of Head Start agencies; and”;

(D) by inserting after subparagraph (D) the following:

1           “(E) payments for research, demonstration, and  
2           evaluation activities under section 649.”; and

3           (E) by adding at the end the following: “In  
4           carrying out this subchapter, the Secretary  
5           shall continue the administrative arrangement  
6           responsible for meeting the needs of migrant or  
7           seasonal farmworker and Indian children and  
8           shall assure that appropriate funding is pro-  
9           vided to meet such needs.”;

10          (2) in paragraph (3)—

11           (A) in subparagraph (B)—

12           (i) in clause (ii)—

13           (I) by striking “adequate quali-  
14           fied staff” and inserting “adequate  
15           numbers of qualified staff”; and

16           (II) by inserting “and children  
17           with disabilities” before “, when”;

18           (ii) in clause (iv), by inserting before  
19           the period the following: “, and to encour-  
20           age the staff to continually improve their  
21           skills and expertise by informing the staff  
22           of the availability of State and Federal in-  
23           centive and loan forgiveness programs for  
24           professional development and by providing  
25           for preferences in the awarding of salary

1 increases, in excess of cost of living allow-  
 2 ances, to staff who obtain additional train-  
 3 ing or education related to their respon-  
 4 sibilities as employees of a Head Start pro-  
 5 gram or to advance their careers within  
 6 the Head Start program”;

7 (iii) in clause (vi), by striking the pe-  
 8 riod and inserting “, and are physically ac-  
 9 cessible to children with disabilities and  
 10 their parents.”;

11 (iv) by redesignating clause (vii) as  
 12 clause (viii); and

13 (v) by inserting after clause (vi) the  
 14 following:

15 “(vii) Ensuring that such programs have quali-  
 16 fied staff that can promote language skills and lit-  
 17 eracy growth of children and that provide children  
 18 with a variety of skills that have been identified,  
 19 through research that is reliable and replicable, as  
 20 predictive of later reading achievement.”;

21 (B) in subparagraph (C)—

22 (i) in clause (i)(I)—

23 (I) by striking “of staff” and in-  
 24 serting “of classroom teachers and  
 25 other staff”; and

1                   (HI) by striking “such staff” and  
 2                   inserting “qualified staff, including re-  
 3                   cruitment and retention pursuant to  
 4                   section 648A(a)”;

5                   (ii) by striking clause (ii) and insert-  
 6                   ing the following:

7                   “(ii) To supplement amounts provided under  
 8                   paragraph (2)(C) to provide training to classroom  
 9                   teachers and other staff on proven techniques that  
 10                  promote—

11                  “(I) language and literacy growth; and

12                  “(II) the acquisition of the English lan-  
 13                  guage for non-English background children and  
 14                  families.”;

15                  (iii) in clause (v), by inserting “acces-  
 16                  sibility or” before “availability”;

17                  (iv) to redesignate clauses (iii), (iv),  
 18                  (v), and (vi) as clauses (iv), (v), (vi), and  
 19                  (iii), respectively; and

20                  (v) by inserting clause (iii) (as redes-  
 21                  ignated in clause (iv) of this subparagraph)  
 22                  after clause (ii); and

23                  (C) in subparagraph (D)(i)(II), by striking  
 24                  “migrant Head Start programs” and inserting  
 25                  “migrant or seasonal Head Start programs”;

1           ~~(3)~~ in paragraph ~~(4)~~(A), by striking “1981”  
 2           and inserting “1998”;

3           ~~(4)~~ in paragraph ~~(5)~~—

4                 (A) in subparagraph (A), by striking “sub-  
 5                 paragraph (B)” and inserting “subparagraphs  
 6                 (B) and (D)”;

7                 (B) in subparagraph (B), by inserting be-  
 8                 fore the period the following “and encourage  
 9                 Head Start agencies to collaborate with entities  
 10                involved in State and local planning processes  
 11                (including the State lead agency administering  
 12                the financial assistance received under the Child  
 13                Care and Development Block Grant Act of  
 14                1990 (42 U.S.C. 9858 et seq.) and the entities  
 15                providing resource and referral services in the  
 16                State) in order to better meet the needs of low-  
 17                income children and families”;

18                (C) in subparagraph (C)—

19                   (i) in clause (i)(I), by inserting “the  
 20                   appropriate regional office of the Adminis-  
 21                   tration for Children and Families and” be-  
 22                   fore “agencies”;

23                   (ii) in clause (iii), by striking “and”  
 24                   at the end;

25                   (iii) in clause (iv)—

1                   (I) by striking “education, and  
 2                   national service activities,” and insert-  
 3                   ing “education, and community serv-  
 4                   ice activities,”;

5                   (II) by striking “and activities”  
 6                   and inserting “activities”; and

7                   (III) by striking the period and  
 8                   inserting “, and services for homeless  
 9                   children; and”; and

10                  (iv) by adding at the end the follow-  
 11                  ing:

12                  “(v) include representatives of the State Head  
 13                  Start Association and local Head Start agencies in  
 14                  unified planning regarding early care and education  
 15                  services at both the State and local levels, including  
 16                  collaborative efforts to plan for the provision of full-  
 17                  working-day, full calendar year early care and edu-  
 18                  cation services for children.”;

19                  (D) by redesignating subparagraph (D) as  
 20                  subparagraph (F); and

21                  (E) by inserting after subparagraph (C)  
 22                  the following:

23                  “(D) Following the award of collaboration grants de-  
 24                  scribed in subparagraph (B), the Secretary shall provide;

1 from the reserved sums; supplemental funding for collabo-  
 2 ration grants—

3 “(i) to States that (in consultation with their  
 4 State Head Start Associations) develop statewide,  
 5 regional, or local unified plans for early childhood  
 6 education and child care that include the participa-  
 7 tion of Head Start agencies; and

8 “(ii) to States that engage in other innovative  
 9 collaborative initiatives, including plans for collabo-  
 10 rative training and career development initiatives for  
 11 child care, early childhood education, and Head  
 12 Start service managers, providers, and staff.

13 “(E)(i) The Secretary shall—

14 “(I) review on an ongoing basis evidence of bar-  
 15 riers to effective collaboration between Head Start  
 16 programs and other Federal child care and early  
 17 childhood education programs and resources;

18 “(II) develop initiatives, including providing ad-  
 19 ditional training and technical assistance and mak-  
 20 ing regulatory changes, in necessary cases, to elimi-  
 21 nate barriers to the collaboration; and

22 “(III) develop a mechanism to resolve adminis-  
 23 trative and programmatic conflicts between such  
 24 programs that would be a barrier to service provid-  
 25 ers, parents, or children related to the provision of



1 unified services and the consolidation of funding for  
 2 child care services.

3 “(ii) In the case of a collaborative activity funded  
 4 under this subchapter and another provision of law provid-  
 5 ing for Federal child care or early childhood education,  
 6 the use of equipment and nonconsumable supplies pur-  
 7 chased with funds made available under this subchapter  
 8 or such provision shall not be restricted to children en-  
 9 rolled or otherwise participating in the program carried  
 10 out under that subchapter or provision, during a period  
 11 in which the activity is predominantly funded under this  
 12 subchapter or such provision.”; and

13 (5) in paragraph (6)—

14 (A) by inserting “(A)” before “From”; and

15 (B) by striking “3 percent” and all that  
 16 follows and inserting the following: “7.5 percent  
 17 for fiscal year 1999, 8 percent for fiscal year  
 18 2000, 9 percent for fiscal year 2001, 10 percent  
 19 for fiscal year 2002, and 10 percent for fiscal  
 20 year 2003, of the amount appropriated pursu-  
 21 ant to section 639(a), except as provided in  
 22 subparagraph (B).

23 “(B)(i) For any fiscal year for which the Secretary  
 24 determines that the amount appropriated under section  
 25 639(a) is not sufficient to permit the Secretary to reserve

1 the portion described in subparagraph (A) without reduc-  
 2 ing the number of children served by Head Start programs  
 3 or negatively impacting the quality of Head Start services,  
 4 relative to the number of children served and the quality  
 5 of the services during the preceding fiscal year, the Sec-  
 6 retary may reduce the percentage of funds required to be  
 7 reserved for the portion described in subparagraph (A) for  
 8 the fiscal year for which the determination is made, but  
 9 not below the percentage required to be so reserved for  
 10 the preceding fiscal year.

11       “(ii) For any fiscal year for which the amount appro-  
 12 priated under section 639(a) is lowered to a level that re-  
 13 quires a reduction in the amount made available under  
 14 this subchapter to Head Start agencies and entities de-  
 15 scribed in section 645A, relative to the amount made avail-  
 16 able to the agencies and entities for the preceding fiscal  
 17 year, adjusted as described in paragraph (3)(A)(ii), the  
 18 Secretary shall proportionately reduce—

19               “(I) the amounts made available to the entities  
 20 for programs carried out under section 645A; and

21               “(II) the amounts made available to Head Start  
 22 agencies for Head Start programs.”.

23       (b) CHILDREN WITH DISABILITIES.—Section 640(d)  
 24 (42 U.S.C. 9835(d)) is amended—

1           (1) by striking “1982” and inserting “1999”;  
2           and

3           (2) by striking “(as defined in section 602(a) of  
4           the Individuals with Disabilities Education Act)”.

5           (e) INCREASED APPROPRIATIONS.—Section 640(g)  
6           (42 U.S.C. 9835(g)) is amended—

7           (1) in paragraph (2)—

8                   (A) in subparagraph (A), by striking the  
9                   semicolon and inserting “; and the performance  
10                  history of the applicant in providing services  
11                  under other Federal programs (other than the  
12                  program carried out under this subchapter);”;

13                  (B) in subparagraph (C), by striking the  
14                  semicolon and inserting “; and organizations  
15                  serving children with disabilities;”;

16                  (C) in subparagraph (D), by inserting be-  
17                  fore the semicolon the following: “and the ex-  
18                  tent to which, and manner in which, the appli-  
19                  cant demonstrates the ability to collaborate and  
20                  participate with other local community provid-  
21                  ers of child care or preschool services to provide  
22                  full working day, full calendar year services”;

23                  (D) in subparagraph (E), by striking “pro-  
24                  gram; and” and inserting “or any other early  
25                  childhood program;”;

1                   ~~(E)~~ in subparagraph ~~(F)~~, by striking the  
 2                   period and inserting “; and”; and

3                   ~~(F)~~ by adding at the end the following:

4                   “(G) the extent to which the applicant proposes  
 5                   to foster partnerships with other service providers in  
 6                   a manner that will enhance the resource capacity of  
 7                   the applicant.”; and

8                   (2) by adding at the end the following:

9                   “(4) Notwithstanding subsection (a)(2), after taking  
 10                  into account the provisions of paragraph (1), the Secretary  
 11                  may allocate a portion of the remaining additional funds  
 12                  under subsection (a)(2)(A) for the purpose of increasing  
 13                  funds available for the activities described in such sub-  
 14                  section.”.

15           (d) ~~MIGRANT OR SEASONAL HEAD START PRO-~~  
 16 ~~GRAMS.—~~Section 640(l) (42 U.S.C. 9835(l)) is amend-  
 17 ed—

18                   (1) by striking “migrant Head Start programs”  
 19                   each place it appears and inserting “migrant or sea-  
 20                   sonal Head Start programs”; and

21                   (2) by striking “migrant families” and inserting  
 22                   “migrant or seasonal farmworker families”.

23           (e) ~~CONFORMING AMENDMENT.—~~Section 644(f)(2)  
 24 ~~(42 U.S.C. 9839(f)(2))~~ is amended by striking  
 25 “640(a)(3)(C)(v)” and inserting “640(a)(3)(C)(vi).”

1 **SEC. 108. DESIGNATION OF HEAD START AGENCIES.**

2 Section 641 (42 U.S.C. 9836) is amended—

3 (1) in subsection (a)—

4 (A) in the matter preceding paragraph (1),  
5 by inserting “or for-profit” after “nonprofit”;  
6 and

7 (B) in paragraph (2), by inserting “(in  
8 consultation with the chief executive officer of  
9 the State in which the community is located)”  
10 after “the Secretary”;

11 (2) in subsection (c)—

12 (A) in paragraph (1)—

13 (i) by striking “shall give priority”  
14 and inserting “shall, in consultation with  
15 the chief executive officer of the State, give  
16 priority”;

17 (ii) by inserting “or for-profit” after  
18 “nonprofit”; and

19 (iii) by striking “unless the Secretary  
20 makes a finding” and all that follows and  
21 inserting the following: “unless the Sec-  
22 retary determines that the agency involved  
23 fails to meet program and financial man-  
24 agement requirements, performance stand-  
25 ards described in section 641A(a)(1); and

1           other requirements established by the Sec-  
2           retary.”;

3           (B) in paragraph (2), by striking “shall  
4           give priority” and inserting “shall, in consulta-  
5           tion with the chief executive officer of the State,  
6           give priority”; and

7           (C) by aligning the margins of paragraphs  
8           (2) and (3) with the margins of paragraph (1);  
9           (3) in subsection (d)—

10           (A) in the matter preceding paragraph (1),  
11           by inserting after the first sentence the follow-  
12           ing new sentence: “In selecting from among  
13           qualified applicants for designation as a Head  
14           Start agency, the Secretary shall give priority  
15           to any qualified agency that functioned as a  
16           Head Start delegate agency in the community  
17           and carried out a Head Start program that the  
18           Secretary determines has met or exceeded the  
19           performance standards and outcome-based per-  
20           formance measures described in section 641A.”;

21           (B) in paragraph (4)(A), by inserting “(at  
22           home and in the center involved where prac-  
23           ticable)” after “activities”;

24           (C) by redesignating paragraphs (7) and  
25           (8) as paragraphs (9) and (10); and

1                   (D) by inserting after paragraph (6) the  
2                   following:

3                   “(7) the plan of such applicant to meet the  
4                   needs of non-English background children and their  
5                   families, including needs related to the acquisition of  
6                   the English language;

7                   “(8) the plan of such applicant to meet the  
8                   needs of children with disabilities;” and

9                   (4) by striking subsection (c) and inserting the  
10                  following:

11               “(c) If no agency in the community receives priority  
12               designation, and there is no qualified applicant in the com-  
13               munity, the Secretary shall designate an agency to carry  
14               out the Head Start program in the community on an in-  
15               term basis until a qualified applicant from the community  
16               is so designated.”.

17   **SEC. 109. QUALITY STANDARDS.**

18               (a) **QUALITY STANDARDS.**—Section 641A(a) (42  
19   U.S.C. 9836a(a)) is amended—

20               (1) in paragraph (1)—

21                   (A) in the matter preceding subparagraph  
22                   (A), by inserting “, including minimum levels of  
23                   overall accomplishment,” after “regulation  
24                   standards”;

1           ~~(B)~~ in subparagraph (A), by striking “edu-  
2           cation,”;

3           ~~(C)~~ by redesignating subparagraphs ~~(B)~~  
4           through ~~(D)~~ as subparagraphs ~~(C)~~ through ~~(E)~~;  
5           and

6           ~~(D)~~ by inserting after subparagraph (A)  
7           the following:

8           “~~(B)~~(i) education performance standards  
9           to ensure the school readiness of children par-  
10          ticipating in a Head Start program, on comple-  
11          tion of the Head Start program and prior to  
12          entering school; and

13          “~~(ii)~~ additional education performance  
14          standards to ensure that the children partici-  
15          pating in the program, at a minimum—

16                “~~(I)~~ develop phonemic, print, and  
17                numeracy awareness;

18                “~~(II)~~ understand and use oral lan-  
19                guage to communicate needs, wants, and  
20                thoughts;

21                “~~(III)~~ understand and use increas-  
22                ingly complex and varied vocabulary;

23                “~~(IV)~~ develop and demonstrate an ap-  
24                preciation of books; and



1 “(V) in the case of non-English back-  
 2 ground children, progress toward acqui-  
 3 sition of the English language.”;

4 (2) by striking paragraph (2);

5 (3) by redesignating paragraphs (3) and (4) as  
 6 paragraphs (2) and (3); and

7 (4) in paragraph (2) (as redesignated in para-  
 8 graph (3))—

9 (A) in subparagraph (B)(iii), striking  
 10 “child” and inserting “early childhood edu-  
 11 cation and”; and

12 (B) in subparagraph (C)—

13 (i) in clause (i)—

14 (I) by striking “not later than 1  
 15 year after the date of enactment of  
 16 this section,”; and

17 (II) by striking “section 651(b)”  
 18 and all that follows and inserting  
 19 “this subsection; and”; and

20 (ii) in subclause (ii), by striking “No-  
 21 vember 2, 1978” and inserting “the date  
 22 of enactment of the Human Services Reau-  
 23 thorization Act of 1998”.

24 (b) PERFORMANCE MEASURES.—Section 641A(b)  
 25 (42 U.S.C. 9836a(b)) is amended—

1           ~~(1)~~ in the subsection heading, by inserting  
 2           “~~OUTCOME-BASED~~” before “~~PERFORMANCE~~”;

3           ~~(2)~~ in paragraph ~~(1)~~—

4                 ~~(A)~~ by striking “Not later than 1 year  
 5           after the date of enactment of this section, the”  
 6           and inserting “The”;

7                 ~~(B)~~ by striking “child” and inserting  
 8           “early childhood education and”;

9                 ~~(C)~~ by striking the period and inserting “,  
 10          and the impact of the services provided through  
 11          the programs to children and their families.”;  
 12          and

13                ~~(D)~~ by adding at the end the following:  
 14          “The performance measures shall include the  
 15          performance standards described in subsection  
 16          (a)(1)(B)(ii).”; and

17           ~~(3)~~ in paragraph ~~(2)~~—

18                 ~~(A)~~ in the paragraph heading, by striking  
 19           “~~DESIGN~~” and inserting “~~CHARACTERISTICS~~”;

20                 ~~(B)~~ in the matter preceding subparagraph  
 21           ~~(A)~~, by striking “shall be designed—” and in-  
 22           serting “shall—”;

23                 ~~(C)~~ in subparagraph ~~(A)~~, by striking “to  
 24           assess” and insert “assess the impact of”;

25                 ~~(D)~~ in subparagraph ~~(B)~~—

1 (i) by striking “to”; and

2 (ii) by striking “and peer review” and  
3 inserting “; peer review, and program eval-  
4 uation”; and

5 (E) in subparagraph (C), by inserting “be  
6 developed” before “for other”.

7 (e) MONITORING.—Section 641A(c)(2) (42 U.S.C.  
8 9836a(c)(2)) is amended—

9 (1) in subparagraph (B), by striking “; and”  
10 and inserting a semicolon;

11 (2) in subparagraph (C)—

12 (A) by inserting “(including children with  
13 disabilities)” after “eligible children”; and

14 (B) by striking the period and inserting “;  
15 and”; and

16 (3) by adding at the end the following:

17 “(D) as part of the reviews of the pro-  
18 grams, include a review and assessment of pro-  
19 gram effectiveness, as measured in accordance  
20 with the outcome-based performance measures  
21 developed pursuant to subsection (b) and with  
22 the performance standards established pursuant  
23 to subparagraphs (A) and (B) of subsection  
24 (a)(1).”.

1       (d) ~~TERMINATION.—~~Section 641A(d) (42 U.S.C.  
2 9836a(d)) is amended—

3           (1) in paragraph (1)(B), to read as follows:

4               “(B) with respect to each identified defi-  
5 ciency, require the agency—

6                   “(i) to correct the deficiency imme-  
7 diately, if the Secretary finds that the defi-  
8 ciency threatens the health or safety of  
9 staff or program participants or poses a  
10 threat to the integrity of Federal funds;

11                  “(ii) to correct the deficiency not later  
12 than 90 days after the identification of the  
13 deficiency if the Secretary finds, in the dis-  
14 cretion of the Secretary, that such a 90-  
15 day period is reasonable, in light of the na-  
16 ture and magnitude of the deficiency; or

17                  “(iii) in the discretion of the Sec-  
18 retary (taking into consideration the seri-  
19 ousness of the deficiency and the time rea-  
20 sonably required to correct the deficiency)  
21 to comply with the requirements of para-  
22 graph (2) concerning a quality improve-  
23 ment plan; and”;

24           (2) in paragraph (2)(A), in the matter preced-  
25 ing clause (i), by striking “immediately” and insert-

1       ing “immediately or during a 90-day period under  
2       clause (i) or (ii) of paragraph (1)(B)”.

3   **SEC. 110. POWERS AND FUNCTIONS OF HEAD START AGEN-**  
4       **CIES.**

5       Section 642 (42 U.S.C. 9837) is amended—

6           (1) in subsection (a), by inserting “or for-prof-  
7       it” after “nonprofit”;

8           (2) in subsection (c)—

9               (A) by inserting “and collaborate” after  
10       “coordinate”; and

11            (B) by striking “section 402(g) of the So-  
12       cial Security Act, and other” and inserting “the  
13       State program carried out under the Child Care  
14       and Development Block Grant Act of 1990 (42  
15       U.S.C. 9858 et seq.); and other early childhood  
16       education and development”; and

17           (3) in subsection (d)—

18               (A) in paragraph (1)—

19                   (i) by striking “shall carry out” and  
20       all that follows through “maintain” and in-  
21       serting “shall take steps to ensure, to the  
22       maximum extent possible, that children  
23       maintain”;

- 1                   (ii) by striking “developmental” and  
 2                   inserting “developmental and educational”;  
 3                   and  
 4                   (iii) by striking “to build” and insert-  
 5                   ing “build”;  
 6                   (B) by striking paragraph (2); and  
 7                   (C) by redesignating paragraphs (3)  
 8                   through (5) as paragraphs (2) through (4), re-  
 9                   spectively.

10 **SEC. 111. HEAD START TRANSITION.**

11       The Head Start Act (42 U.S.C. 9831 et seq.) is  
 12 amended by inserting after section 642 the following:

13 **“SEC. 642A. HEAD START TRANSITION.**

14       “Each Head Start agency shall take steps to coordi-  
 15 nate with the local educational agency serving the commu-  
 16 nity involved and with schools in which children participat-  
 17 ing in a Head Start program operated by such agency will  
 18 enroll following such program, including—

- 19               “(1) developing and implementing a systematic  
 20 procedure for transferring, with parental consent,  
 21 Head Start program records for each participating  
 22 child to the school in which such child will enroll;  
 23               “(2) establishing channels of communication be-  
 24 tween Head Start staff and their counterparts in the

1 schools (including teachers, social workers, and  
 2 health staff) to facilitate coordination of programs;  
 3 ~~“(3) conducting meetings involving parents,~~  
 4 ~~kindergarten or elementary school teachers, and~~  
 5 ~~Head Start program teachers to discuss the develop-~~  
 6 ~~mental and other needs of individual children;~~  
 7 ~~“(4) organizing and participating in joint tran-~~  
 8 ~~sition-related training of school staff and Head Start~~  
 9 ~~staff;~~  
 10 ~~“(5) developing and implementing a family out-~~  
 11 ~~reach and support program in cooperation with enti-~~  
 12 ~~ties carrying out parental involvement efforts under~~  
 13 ~~title I of the Elementary and Secondary Education~~  
 14 ~~Act of 1965 (20 U.S.C. 6301 et seq.); and~~  
 15 ~~“(6) assisting families, administrators, and~~  
 16 ~~teachers in enhancing developmental continuity be-~~  
 17 ~~tween Head Start services and elementary school~~  
 18 ~~classes.”.~~

19 **SEC. 112. SUBMISSION OF PLANS TO GOVERNORS.**

20 The first sentence of section 643 (42 U.S.C. 9838)  
 21 is amended—

- 22 (1) by striking “within 30 days” and inserting  
 23 “within 45 days”; and  
 24 (2) by striking “so disapproved” and inserting  
 25 “disapproved (for reasons other than failure of the

1 program to comply with State health, safety, and  
 2 child care laws, including regulations, applicable to  
 3 comparable child care programs within the State)).

4 **SEC. 113. PARTICIPATION IN HEAD START PROGRAMS.**

5 (a) REGULATIONS.—Section 645(a)(1) (42 U.S.C.  
 6 9840(a)(1)) is amended—

7 (1) in subparagraph (B), by striking “that pro-  
 8 grams” and inserting “that (i) programs”; and

9 (2) by striking the period at the end of sub-  
 10 paragraph (B) and inserting the following: “, and  
 11 (ii) a child who has been determined to meet the  
 12 low-income criteria and who is participating in a  
 13 Head Start program in a program year shall be con-  
 14 sidered to continue to meet the low-income criteria  
 15 through the end of the succeeding program year. In  
 16 determining, for purposes of this paragraph, whether  
 17 a child who has applied for enrollment in a Head  
 18 Start program meets the low-income criteria, an en-  
 19 tity may consider evidence of family income during  
 20 the 12 months preceding the month in which the ap-  
 21 plication is submitted, or during the calendar year  
 22 preceding the calendar year in which the application  
 23 is submitted, whichever more accurately reflects the  
 24 needs of the family at the time of application.”.



1       (b) ~~SLIDING FEE SCALE.~~—Section 645(b) (42 U.S.C.  
2 9840(b)) is amended by adding at the end the following:

3       “A Head Start agency that provides a Head Start  
4 program with full-working-day services in collaboration  
5 with other agencies or entities may collect a family copay-  
6 ment to support extended day services if a copayment is  
7 required in conjunction with the partnership. The copay-  
8 ment shall not exceed the copayment charged to families  
9 with similar incomes and circumstances who are receiving  
10 the services through participation in a program carried  
11 out by another agency or entity.”.

12       (c) ~~CONTINUOUS RECRUITMENT AND ACCEPTANCE~~  
13 ~~OF APPLICATIONS.~~—Section 645(c) (42 U.S.C. 9840(c))  
14 is amended by adding at the end the following: “Each  
15 Head Start program operated in a community shall be  
16 permitted to recruit and accept applications for enrollment  
17 of children throughout the year.”.

18 **SEC. 114. EARLY HEAD START PROGRAMS FOR FAMILIES**  
19 **WITH INFANTS AND TODDLERS.**

20       Section 645A (42 U.S.C. 9840a) is amended—

21       (1) in the section heading, by inserting “**EARLY**  
22 **HEAD START**” before “**PROGRAMS FOR**”;

23       (2) in subsection (a)—

1           (A) by striking “for—” and all that follows  
 2           through “programs providing” and inserting  
 3           “for programs providing”;

4           (B) by striking “; and” and inserting a pe-  
 5           riod; and

6           (C) by striking paragraph (2);

7           (3) in subsection (b)(5), by inserting “(includ-  
 8           ing programs for infants and toddlers with disabil-  
 9           ities)” after “community”;

10          (4) in subsection (c)—

11           (A) in the matter preceding paragraph (1),  
 12           by striking “subsection (a)(1)” and inserting  
 13           “subsection (a)”; and

14           (B) in paragraph (2), by striking “3 (or  
 15           under” and all that follows and inserting “3.”;  
 16           (5) in subsection (d)—

17           (A) by striking paragraph (2); and

18           (B) by redesignating paragraph (3) as  
 19           paragraph (2);

20           (6) by striking subsection (e);

21           (7) by redesignating subsections (f) and (g) as  
 22           subsections (e) and (f), respectively;

23           (8) in subsection (e) (as redesignated in para-  
 24           graph (7))—

1           (A) in the subsection heading, by striking  
2           “OTHER”; and

3           (B) by striking “From the balance remain-  
4           ing of the portion specified in section 640(a)(6);  
5           after making grants to the eligible entities spec-  
6           ified in subsection (c),” and inserting “From  
7           the portion specified in section 640(a)(6),”; and  
8           (9) by striking subsection (h) and inserting the  
9           following:

10          “(h) MONITORING, TRAINING, TECHNICAL ASSIST-  
11          ANCE, AND EVALUATION.—In order to ensure the success-  
12          ful operation of programs assisted under this section, the  
13          Secretary shall use funds from the portion specified in sec-  
14          tion 640(a)(6) to monitor the operation of such programs;  
15          evaluate their effectiveness; and provide training and tech-  
16          nical assistance tailored to the particular needs of such  
17          programs.

18          “(i) TRAINING AND TECHNICAL ASSISTANCE AC-  
19          COUNT.—

20               “(1) IN GENERAL.—Of the amount made avail-  
21          able to carry out this section for any fiscal year, not  
22          less than 5 percent and not more than 10 percent  
23          shall be reserved to fund a training and technical as-  
24          sistance account.

1           “(2) ACTIVITIES.—Funds in the account may  
2       be used for purposes including—

3           “(A) making grants to, and entering into  
4       contracts with, organizations with specialized  
5       expertise relating to infants, toddlers, and fami-  
6       lies and the capacity needed to provide direction  
7       and support to a national training and technical  
8       assistance system, in order to provide such di-  
9       rection and support;

10          “(B) providing ongoing training and tech-  
11       nical assistance for regional and program staff  
12       charged with monitoring and overseeing the ad-  
13       ministration of the program carried out under  
14       this section;

15          “(C) providing ongoing training and tech-  
16       nical assistance for existing recipients of grants  
17       under subsection (a) and support and program  
18       planning and implementation assistance for new  
19       recipients of such grants; and

20          “(D) providing professional development  
21       and personnel enhancement activities, including  
22       the provision of funds to recipients of grants  
23       under subsection (a) for the recruitment and re-  
24       tention of qualified staff with an appropriate  
25       level of education and experience.”.

1 **SEC. 115. TECHNICAL ASSISTANCE AND TRAINING.**

2 ~~(a) FULL-WORKING-DAY, FULL CALENDAR YEAR~~  
 3 ~~SERVICES.—Section 648(b) (42 U.S.C. 9843(b)) is~~  
 4 ~~amended—~~

5 ~~(1) in paragraph (1), by striking “; and” and~~  
 6 ~~inserting a semicolon;~~

7 ~~(2) in paragraph (2), by striking the period and~~  
 8 ~~inserting “; and”; and~~

9 ~~(3) by adding at the end the following:~~

10 ~~“(3) ensure the provision of technical assistance~~  
 11 ~~to assist Head Start agencies, entities carrying out~~  
 12 ~~other child care and early childhood programs, com-~~  
 13 ~~munities, and States in collaborative efforts to pro-~~  
 14 ~~vide quality full-working-day, full calendar year serv-~~  
 15 ~~ices, including technical assistance related to identi-~~  
 16 ~~fying and assisting in resolving barriers to collabora-~~  
 17 ~~tion.”.~~

18 ~~(b) ALLOCATING RESOURCES.—Section 648(c) (42~~  
 19 ~~U.S.C. 9843(c)) is amended—~~

20 ~~(1) in paragraph (4)—~~

21 ~~(A) by striking “developing” and inserting~~  
 22 ~~“developing and implementing”; and~~

23 ~~(B) by striking “a longer day;” and insert-~~  
 24 ~~ing the following: “the day, and assist the agen-~~  
 25 ~~cies and programs in expediting the sharing of~~  
 26 ~~information about innovative models for provid-~~

1           ing full-working-day, full calendar year services  
2           for children;”;

3           (2) in paragraph (7), by striking “; and” and  
4           inserting a semicolon;

5           (3) in paragraph (8), by striking the period and  
6           inserting “; and”; and

7           (4) by adding at the end the following:

8           “(9) assist Head Start agencies in—

9                   “(A) ensuring the school readiness of chil-  
10           dren; and

11                   “(B) meeting the education performance  
12           standards described in this subchapter.”.

13       (e) SERVICES.—Section 648(e) (42 U.S.C. 9843(e))  
14   is amended by inserting “(including services to promote  
15   the acquisition of the English language)” after “non-  
16   English language background children”.

17   **SEC. 116. STAFF QUALIFICATIONS AND DEVELOPMENT.**

18       Section 648A(a) (42 U.S.C. 9843a(a)) is amended—

19       (1) in paragraph (1)—

20               (A) by redesignating subparagraphs (B)  
21               through (D) as clauses (ii) through (iv), respec-  
22               tively;

23               (B) by striking “(A)” and inserting  
24               “(B)(i)”;

(C) by inserting before subparagraph (B) (as redesignated in subparagraph (B) of this paragraph) the following:

“(A) demonstrated competency to perform functions that include—

“(i) planning and implementing learning experiences that advance the intellectual and physical development of children, including improving the readiness of children for school by developing their literacy and phonemic, print, and numeracy awareness, their understanding and use of oral language, their understanding and use of increasingly complex and varied vocabulary, their appreciation of books, and their problem solving abilities;

“(ii) establishing and maintaining a safe, healthy learning environment;

“(iii) supporting the social and emotional development of children; and

“(iv) encouraging the involvement of the families of the children in a Head Start program and supporting the development of relationships between children and their families; and”;

1           (2) by striking paragraph (2) and inserting the  
2           following:

3           “(2) ~~WAIVER.~~—On request, the Secretary shall  
4           grant a 180-day waiver of the requirements of para-  
5           graph (1)(B), for a Head Start agency that can  
6           demonstrate that the agency has unsuccessfully at-  
7           tempted to recruit an individual who has a creden-  
8           tial, certificate, or degree described in paragraph  
9           (1)(B), with respect to an individual who—

10           “(A) is enrolled in a program that grants  
11           any such credential, certificate, or degree; and

12           “(B) will receive such credential, certifi-  
13           cate, or degree under the terms of such pro-  
14           gram not later than 180 days after beginning  
15           employment as a teacher with such agency.”.

16 **SEC. 117. RESEARCH, DEMONSTRATION, AND EVALUATION.**

17           (a) **COMPARATIVE STUDIES.**—Section 649(d) (42  
18 U.S.C. 9844(d)) is amended—

19           (1) in paragraph (6), by striking “; and” and  
20           inserting a semicolon;

21           (2) in paragraph (7), by striking the period and  
22           inserting “; and”; and

23           (3) by adding at the end the following:

24           “(8) study the experiences of small, medium,  
25           and large States with Head Start programs in order



1 to permit comparisons of children participating in  
 2 the programs with eligible children who did not par-  
 3 ticipate in the programs, which study—

4 “(A) may include the use of a data set  
 5 that existed prior to the initiation of the study;  
 6 and

7 “(B) shall compare the educational  
 8 achievement, social adaptation, and health sta-  
 9 tus of the participating children and the eligible  
 10 nonparticipating children.

11 The Secretary shall ensure that an appropriate entity ear-  
 12 ries out a study described in paragraph (8), and prepares  
 13 and submits to the appropriate committees of Congress  
 14 a report containing the results of the study, not later than  
 15 September 30, 2002.”.

16 (b) NATIONAL RESEARCH.—Section 649 (42 U.S.C.  
 17 9844) is amended by inserting after subsection (e) the fol-  
 18 lowing:

19 “(f) NATIONAL HEAD START IMPACT RESEARCH.—

20 “(1) EXPERT PANEL.—

21 “(A) IN GENERAL.—The Secretary shall  
 22 appoint an independent panel consisting of ex-  
 23 perts in program evaluation and research, edu-  
 24 cation, and early childhood programs—

1           “(i) to review, and make recommenda-  
2           tions on, the design and plan for the re-  
3           search (whether conducted as a single as-  
4           sessment or as a series of assessments);  
5           described in paragraph (2), within 1 year  
6           after the date of enactment of the Human  
7           Services Reauthorization Act of 1998;

8           “(ii) to maintain and advise the Sec-  
9           retary regarding the progress of the re-  
10          search; and

11          “(iii) to comment, if the panel so de-  
12          sires, on the interim and final research re-  
13          ports submitted under paragraph (7).

14          “(B) TRAVEL EXPENSES.—The members  
15          of the panel shall not receive compensation for  
16          the performance of services for the panel, but  
17          shall be allowed travel expenses, including per  
18          diem in lieu of subsistence, at rates authorized  
19          for employees of agencies under subchapter I of  
20          chapter 57 of title 5, United States Code, while  
21          away from their homes or regular places of  
22          business in the performance of services for the  
23          panel. Notwithstanding section 1342 of title 31,  
24          United States Code, the Secretary may accept

1           the voluntary and uncompensated services of  
2           members of the panel.

3           ~~“(2) GENERAL AUTHORITY.—~~After reviewing  
4           the recommendations of the expert panel the Sec-  
5           retary shall enter into a grant, contract, or coopera-  
6           tive agreement with an organization to conduct inde-  
7           pendent research that provides a national analysis of  
8           the impact of Head Start programs. The Secretary  
9           shall ensure that the organization shall have exper-  
10          tise in program evaluation, and research, education,  
11          and early childhood programs.

12          ~~“(3) DESIGNS AND TECHNIQUES.—~~The Sec-  
13          retary shall ensure that the research uses rigorous  
14          methodological designs and techniques (based on the  
15          recommendations of the expert panel); including lon-  
16          gitudinal designs, control groups, nationally recog-  
17          nized standardized measures, and random selection  
18          and assignment, as appropriate. The Secretary may  
19          provide that the research shall be conducted as a  
20          single comprehensive assessment or as a group of co-  
21          ordinated assessments designed to provide, when  
22          taken together, a national analysis of the impact of  
23          Head Start programs.

24          ~~“(4) PROGRAMS.—~~The Secretary shall ensure  
25          that the research focuses primarily on Head Start

1 programs that operate in the 50 States, the Com-  
 2 monwealth of Puerto Rico, or the District of Colum-  
 3 bia and that do not specifically target special popu-  
 4 lations.

5 “(5) ANALYSIS.—The Secretary shall ensure  
 6 that the organization conducting the research—

7 “(A)(i) determines if, overall, the Head  
 8 Start programs have impacts consistent with  
 9 their primary goal of increasing the social com-  
 10 petence of children, by increasing the everyday  
 11 effectiveness of the children in dealing with  
 12 their present environments and future respon-  
 13 sibilities, and increasing their school readiness;

14 “(ii) considers whether the Head Start  
 15 programs—

16 “(I) enhance the growth and develop-  
 17 ment of children in cognitive, emotional,  
 18 and physical health areas;

19 “(II) strengthen families as the pri-  
 20 mary nurturers of their children; and

21 “(III) ensure that children attain  
 22 school readiness; and

23 “(iii) examines—

24 “(I) the impact of the Head Start  
 25 programs on increasing access of children

1 to such services as educational, health, and  
2 nutritional services, and linking children  
3 and families to needed community services;  
4 and

5 “(H) how receipt of services described  
6 in subclause (I) enriches the lives of chil-  
7 dren and families participating in Head  
8 Start programs;

9 “(B) examines the impact of Head Start  
10 programs on participants on the date the par-  
11 ticipants leave Head Start programs, at the end  
12 of kindergarten, and at the end of first grade,  
13 by examining a variety of factors, including  
14 educational achievement, referrals for special  
15 education or remedial course work, and absen-  
16 teeism;

17 “(C) makes use of random selection from  
18 the population of all Head Start programs de-  
19 scribed in paragraph (4) in selecting programs  
20 for inclusion in the research; and

21 “(D) includes comparisons of individuals  
22 who participate in Head Start programs with  
23 control groups (including comparison groups)  
24 composed of—

1                   “(i) individuals who participate in  
2                   other early childhood programs (such as  
3                   preschool programs and day care); and

4                   “(ii) individuals who do not partici-  
5                   pate in any other early childhood program.

6                   ~~“(6) CONSIDERATION OF SOURCES OF VARI-~~  
7                   ~~ATION.—~~In designing the research, the Secretary  
8                   shall, to the extent practicable, consider addressing  
9                   possible sources of variation in impact of Head Start  
10                  programs, including variations in impact related to  
11                  such factors as—

12                  “(A) Head Start program operations;

13                  “(B) Head Start program quality;

14                  “(C) the length of time a child attends a  
15                  Head Start program;

16                  “(D) the age of the child on entering the  
17                  Head Start program;

18                  “(E) the type of organization (such as a  
19                  local educational agency or a community action  
20                  agency) providing services for the Head Start  
21                  program;

22                  “(F) the number of hours and days of pro-  
23                  gram operation of the Head Start program  
24                  (such as whether the program is a full-working-

day, full calendar year program, a part-day program, or a part-year program); and

“(G) other characteristics and features of the Head Start program (such as geographic location, location in an urban or a rural service area, or participant characteristics), as appropriate.

“(7) REPORTS.—

“(A) SUBMISSION OF INTERIM REPORTS.—

The organization shall prepare and submit to the Secretary 2 interim reports on the research.

The first interim report shall describe the design of the research, and the rationale for the design, including a description of how potential sources of variation in impact of Head Start programs have been considered in designing the research. The second interim report shall describe the status of the research and preliminary findings of the research, as appropriate.

“(B) SUBMISSION OF FINAL REPORT.—

The organization shall prepare and submit to the Secretary a final report containing the findings of the research.

“(C) TRANSMITTAL OF REPORTS TO CONGRESS.—

1                   “(i) IN GENERAL.—The Secretary  
2                   shall transmit, to the committees described  
3                   in clause (ii), the first interim report by  
4                   September 30, 1999, the second interim  
5                   report by September 30, 2001, and the  
6                   final report by September 30, 2003.

7                   “(ii) COMMITTEES.—The committees  
8                   referred to in clause (i) are the Committee  
9                   on Education and the Workforce of the  
10                  House of Representatives and the Commit-  
11                  tee on Labor and Human Resources of the  
12                  Senate.

13                  “(8) DEFINITION.—In this subsection, the term  
14                  ‘impact’, used with respect to a Head Start pro-  
15                  gram, means a difference in an outcome for a partic-  
16                  ipant in the program that would not have occurred  
17                  without the participation in the program.

18                  “(g) QUALITY IMPROVEMENT STUDY.

19                  “(1) STUDY.—The Secretary shall conduct a  
20                  study regarding the use and effects of use of the  
21                  quality improvement funds made available under sec-  
22                  tion 640(a)(3) of the Head Start Act (42 U.S.C.  
23                  9835(a)(3)) since fiscal year 1991.

24                  “(2) REPORT.—The Secretary shall prepare  
25                  and submit to Congress not later than September



1 2000 a report containing the results of the study, in-  
 2 cluding—

3 “(A) the types of activities funded with the  
 4 quality improvement funds;

5 “(B) the extent to which the use of the  
 6 quality improvement funds has accomplished  
 7 the goals of section 640(a)(3)(B);

8 “(C) the effect of use of the quality im-  
 9 provement funds on teacher training, salaries,  
 10 benefits, recruitment, and retention; and

11 “(D) the effect of use of the quality im-  
 12 provement funds on the cognitive and social de-  
 13 velopment of children receiving services under  
 14 the this subchapter.”.

15 (b) CONFORMING AMENDMENT.—Section 650(13)  
 16 (42 U.S.C. 9846(13)) is amended by striking “, dem-  
 17 onstration,”.

18 **TITLE II—COMMUNITY SERV-**  
 19 **ICES BLOCK GRANT PRO-**  
 20 **GRAM**

21 **SEC. 201. REAUTHORIZATION.**

22 The Community Services Block Grant Act (42 U.S.C.  
 23 9901 et seq.) is amended to read as follows:

1    **“Subtitle B—Community Services**  
 2               **Block Grant Program**

3    ~~“SEC. 671. SHORT TITLE.~~

4           ~~“This subtitle may be cited as the ‘Community Serv-~~  
 5 ~~ices Block Grant Act’.~~

6    ~~“SEC. 672. PURPOSES AND GOALS.~~

7           ~~“The purposes of this subtitle are—~~

8               ~~“(1) to provide financial assistance to States~~  
 9               ~~and local communities, working through a network~~  
 10              ~~of community action agencies and other neighbor-~~  
 11              ~~hood-based organizations, for the reduction of pov-~~  
 12              ~~erty, the revitalization of low-income communities,~~  
 13              ~~and the empowerment of low-income families and in-~~  
 14              ~~dividuals in rural and urban areas to become fully~~  
 15              ~~self-sufficient (particularly families who are attempt-~~  
 16              ~~ing to transition off a State program carried out~~  
 17              ~~under part A of title IV of the Social Security Act~~  
 18              ~~(42 U.S.C. 601 et seq.);~~

19             ~~“(2) to accomplish the goal described in para-~~  
 20             ~~graph (1) through—~~

21               ~~“(A) the strengthening of community capa-~~  
 22               ~~bilities for planning and coordinating the use of~~  
 23               ~~a broad range of Federal, State, and other as-~~  
 24               ~~sistance related to the elimination of poverty, so~~

1           that this assistance can be used in a manner re-  
2           sponsive to local needs and conditions;

3           “(B) the organization of a range of serv-  
4           ices related to the needs of low-income families  
5           and individuals, so that these services may have  
6           a measurable and potentially major impact on  
7           the causes of poverty in the community and  
8           may help the families and individuals to achieve  
9           self-sufficiency;

10          “(C) the use of innovative and effective,  
11          community-based approaches to attacking the  
12          causes and effects of poverty and of community  
13          breakdown;

14          “(D) the development and implementation  
15          of all programs designated to serve low-income  
16          communities and groups with the maximum  
17          feasible participation of residents of the com-  
18          munities and members of the groups served, so  
19          as to best stimulate and take full advantage of  
20          capabilities for self-advancement and assure  
21          that the programs are otherwise meaningful to  
22          the intended beneficiaries of the programs; and

23          “(E) the broadening of the resource base  
24          of programs directed to the elimination of pov-  
25          erty.

1 **“SEC. 673. DEFINITIONS.**

2 “In this subtitle:

3 “(1) **ELIGIBLE ENTITY.**—The term ‘eligible en-  
4 tity’ means an entity—

5 “(A) that is an eligible entity described in  
6 section 673(1) (as in effect on the day before  
7 the date of enactment of the Human Services  
8 Reauthorization Act of 1998) as of such date of  
9 enactment or is designated by the process de-  
10 scribed in section 676A (including an organiza-  
11 tion serving migrant or seasonal farmworkers  
12 that is so described or designated); and

13 “(B) that has a tripartite board or other  
14 mechanism described in subsection (a) or (b);  
15 as appropriate, of section 676B.

16 “(2) **POVERTY LINE.**—The term ‘poverty line’  
17 means the official poverty line defined by the Sec-  
18 retary. The Secretary shall revise the poverty line  
19 annually (or at any shorter interval the Secretary  
20 determines to be feasible and desirable) which shall  
21 be used as a criterion of eligibility in the community  
22 services block grant program established under this  
23 subtitle. The required revision shall be accomplished  
24 by multiplying the official poverty line by the per-  
25 centage change in the Consumer Price Index for All  
26 Urban Consumers during the annual or other inter-

val immediately preceding the time at which the revision is made. Whenever a State determines that it serves the objectives of the block grant program established under this subtitle, the State may revise the poverty line to not to exceed 125 percent of the official poverty line otherwise applicable under this paragraph.

“(3) PRIVATE, NONPROFIT ORGANIZATION.—

The term ‘private, nonprofit organization’ includes a faith-based organization, to which the provisions of section 679 shall apply.

“(4) SECRETARY.—The term ‘Secretary’ means

the Secretary of Health and Human Services.

“(5) STATE.—The term ‘State’ means each of

the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the United States Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, and the combined Freely Associated States.

#### “SEC. 674. AUTHORIZATION OF APPROPRIATIONS.

“(a) IN GENERAL.—There are authorized to be appropriated \$625,000,000 for fiscal year 1999 and such sums as may be necessary for each of fiscal years 2000 through 2003 to carry out the provisions of this subtitle (other than sections 681 and 682).

1       “(b) RESERVATIONS.—Of the amounts appropriated  
2 under subsection (a) for each fiscal year, the Secretary  
3 shall reserve—

4           “(1)  $\frac{1}{2}$  of 1 percent for carrying out section  
5 675A (relating to payments for territories);

6           “(2) not less than  $\frac{1}{2}$  of 1 percent and not more  
7 than 1 percent for activities authorized in section  
8 678A (relating to training and technical assistance);  
9 and

10          “(3) 9 percent for carrying out section 680 (re-  
11 lating to discretionary activities).

12 **“SEC. 675. ESTABLISHMENT OF BLOCK GRANT PROGRAM.**

13       “The Secretary is authorized to establish a commu-  
14 nity services block grant program and make grants  
15 through the program to States to ameliorate the causes  
16 of poverty in communities within the States.

17 **“SEC. 675A. DISTRIBUTION TO TERRITORIES.**

18       “(a) APPORTIONMENT.—The Secretary shall appor-  
19 tion the amount reserved under section 674(b)(1) for each  
20 fiscal year on the basis of need among Guam, American  
21 Samoa, the United States Virgin Islands, the Common-  
22 wealth of the Northern Mariana Islands, and the combined  
23 Freely Associated States.

24       “(b) APPLICATION.—Each jurisdiction to which sub-  
25 section (a) applies may receive a grant under this subtitle

1 for the amount apportioned under subsection (a) on sub-  
 2 mitting to the Secretary, and obtaining approval of, an  
 3 application containing provisions that describe the pro-  
 4 grams for which assistance is sought under this subtitle,  
 5 and that are consistent with the requirements of section  
 6 676.

7 **“SEC. 675B. ALLOTMENTS AND PAYMENTS TO STATES.**

8       “(a) ALLOTMENTS IN GENERAL.—The Secretary  
 9 shall, from the amount appropriated under section 674(a)  
 10 for each fiscal year that remains after the Secretary makes  
 11 the reservations required in section 674(b), allot to each  
 12 State an amount that bears the same ratio to such remain-  
 13 ing amount as the amount received by the State for fiscal  
 14 year 1981 under section 221 of the Economic Opportunity  
 15 Act of 1964 bore to the total amount received by all States  
 16 for fiscal year 1981 under such section, except that no  
 17 State shall receive less than  $\frac{1}{4}$  of 1 percent of the amount  
 18 appropriated under section 674(a) for such fiscal year.

19       “(b) ALLOTMENTS IN YEARS WITH GREATER AVAIL-  
 20 ABLE FUNDS.—

21               “(1) MINIMUM ALLOTMENTS.—Subject to para-  
 22 graphs (2) and (3), if the amount appropriated  
 23 under section 674(a) for each fiscal year that re-  
 24 mains after the Secretary makes the reservations re-  
 25 quired in section 674(b) exceeds \$345,000,000, the

1 Secretary shall allot to each State not less than  $\frac{1}{2}$   
 2 of 1 percent of the amount appropriated under sec-  
 3 tion 674(a) for such fiscal year.

4 “(2) MAINTENANCE OF 1990 LEVELS.—Para-  
 5 graph (1) shall not apply with respect to a fiscal  
 6 year if the amount allotted under subsection (a) to  
 7 any State for that year is less than the amount al-  
 8 lotted under section 674(a)(1) to such State for fis-  
 9 cal year 1990.

10 “(3) MAXIMUM ALLOTMENTS.—The amount al-  
 11 lotted under paragraph (1) to a State shall be re-  
 12 duced, if necessary, so that the aggregate amount al-  
 13 lotted to such State under such paragraph and sub-  
 14 section (a) does not exceed 140 percent of the aggre-  
 15 gate amount allotted to such State under the cor-  
 16 responding provisions of this subtitle for the fiscal  
 17 year preceding the fiscal year for which a determina-  
 18 tion is made under this subsection.

19 “(c) PAYMENTS.—The Secretary shall make grants  
 20 to eligible States for the allotments described in sub-  
 21 sections (a) and (b). The Secretary shall make payments  
 22 for the grants in accordance with section 6503(a) of title  
 23 31, United States Code.

24 “(d) DEFINITION.—For purposes of this section, the  
 25 term ‘State’ does not include Guam, American Samoa, the



1 United States Virgin Islands, the Commonwealth of the  
 2 Northern Mariana Islands, and the Freely Associated  
 3 States.

4 **~~“SEC. 675C. USES OF FUNDS.~~**

5 ~~“(a) GRANTS TO ELIGIBLE ENTITIES AND OTHER~~  
 6 ~~ORGANIZATIONS.—~~

7 ~~“(1) IN GENERAL.—Not less than 90 percent of~~  
 8 ~~the funds allotted to a State under section 675B~~  
 9 ~~shall be used by the State to make grants for the~~  
 10 ~~purposes described in section 672 to eligible entities.~~

11 ~~“(2) OBLIGATIONAL AUTHORITY.—Funds dis-~~  
 12 ~~tributed to eligible entities through grants made in~~  
 13 ~~accordance with paragraph (1) for a fiscal year shall~~  
 14 ~~be available for obligation during that fiscal year~~  
 15 ~~and the succeeding fiscal year, in accordance with~~  
 16 ~~paragraph (3).~~

17 ~~“(3) RECAPTURE AND REDISTRIBUTION OF UN-~~  
 18 ~~OBLIGATED FUNDS.—~~

19 ~~“(A) AMOUNT.—Beginning on October 1,~~  
 20 ~~2000, a State may recapture and redistribute~~  
 21 ~~funds distributed to an eligible entity through a~~  
 22 ~~grant made under paragraph (1) that are unob-~~  
 23 ~~ligated at the end of a fiscal year if such unobli-~~  
 24 ~~gated funds exceed 20 percent of the amount so~~

1 distributed to such eligible entity for such fiscal  
2 year.

3 “(B) REDISTRIBUTION.—In redistributing  
4 funds recaptured in accordance with this para-  
5 graph, States shall redistribute such funds to  
6 an eligible entity, or require the original recipi-  
7 ent of the funds to redistribute the funds to a  
8 private, nonprofit organization, located within  
9 the community served by the original recipient  
10 of the funds, for activities consistent with the  
11 purposes of this subtitle.

12 “(b) OTHER ACTIVITIES.—

13 “(1) USE OF REMAINDER.—If a State uses less  
14 than 100 percent of the State allotment to make  
15 grants under subsection (a), the State shall use the  
16 remainder of the allotment (subject to paragraph  
17 (2)) for—

18 “(A) providing training and technical as-  
19 sistance to those entities in need of such train-  
20 ing and assistance;

21 “(B) coordinating State-operated programs  
22 and services targeted to low-income children  
23 and families with services provided by eligible  
24 entities and other organizations funded under  
25 this subtitle, including detailing appropriate

1 employees of State or local agencies to entities  
2 funded under this subtitle, to ensure increased  
3 access to services provided by such State or  
4 local agencies;

5 “(C) supporting statewide coordination and  
6 communication among eligible entities;

7 “(D) analyzing the distribution of funds  
8 made available under this subtitle within the  
9 State to determine if such funds have been tar-  
10 geted to the areas of greatest need;

11 “(E) supporting asset-building programs  
12 for low-income individuals, such as programs  
13 supporting individual development accounts;

14 “(F) supporting innovative programs and  
15 activities conducted by community action agen-  
16 cies or other neighborhood-based organizations  
17 to eliminate poverty, promote self-sufficiency,  
18 and promote community revitalization; and

19 “(G) supporting other activities, consistent  
20 with the purposes of this subtitle.

21 “(2) ADMINISTRATIVE CAP.—No State may  
22 spend more than the greater of \$55,000, or 5 per-  
23 cent, of the portion of the State allotment that re-  
24 mains after the State makes grants to eligible enti-  
25 ties under subsection (a), for administrative ex-

1       penses, including monitoring activities. The cost of  
 2       activities conducted under paragraph (1)(A) shall  
 3       not be considered to be administrative expenses.

4       **“SEC. 676. APPLICATION AND PLAN.**

5       ~~“(a) DESIGNATION OF LEAD AGENCY.—~~

6               ~~“(1) DESIGNATION.—~~The chief executive officer  
 7       of a State desiring to receive an allotment under this  
 8       subtitle shall designate, in an application submitted  
 9       to the Secretary under subsection (b), an appro-  
 10      priate State agency that complies with the require-  
 11      ments of paragraph (2) to act as a lead agency for  
 12      purposes of carrying out State activities under this  
 13      subtitle.

14             ~~“(2) DUTIES.—~~The lead agency shall—

15               ~~“(A) develop the State plan to be submit-~~  
 16       ted to the Secretary under subsection (b);

17               ~~“(B) in conjunction with the development~~  
 18       of the State plan as required under subsection  
 19       (b), hold at least 1 hearing in the State with  
 20       sufficient time and statewide distribution of no-  
 21       tice of such hearing; to provide to the public an  
 22       opportunity to comment on the proposed use  
 23       and distribution of funds to be provided  
 24       through the allotment for the period covered by  
 25       the State plan; and

1                   “(C) conduct reviews of eligible entities  
2                   under section 678B.

3                   ~~“(3) LEGISLATIVE HEARING.—~~The State shall  
4                   hold at least 1 legislative hearing every 3 years in  
5                   conjunction with the development of the State plan.

6                   ~~“(b) STATE APPLICATION AND PLAN.—~~Beginning  
7                   with fiscal year 2000, to be eligible to receive an allotment  
8                   under this subtitle, a State shall prepare and submit to  
9                   the Secretary an application and State plan covering a pe-  
10                  riod of not less than 1 fiscal year and not more than 2  
11                  fiscal years. The plan shall be submitted not later than  
12                  30 days prior to the beginning of the first fiscal year cov-  
13                  ered by the plan, and shall contain such information as  
14                  the Secretary shall require, including—

15                  ~~“(1) an assurance that funds made available~~  
16                  through the allotment will be used to support activi-  
17                  ties that are designed to assist low-income families  
18                  and individuals, including homeless families and in-  
19                  dividuals, migrant or seasonal farmworkers, and el-  
20                  derly low-income individuals and families, and a de-  
21                  scription of how such activities will enable the fami-  
22                  lies and individuals—

23                  ~~“(A) to remove obstacles and solve prob-~~  
24                  lems that block the achievement of self-suffi-  
25                  ciency;

1           “(B) to secure and retain meaningful em-  
2           ployment;

3           “(C) to attain an adequate education;

4           “(D) to make better use of available in-  
5           come;

6           “(E) to obtain and maintain adequate  
7           housing and a suitable living environment;

8           “(F) to obtain emergency assistance  
9           through loans, grants, or other means to meet  
10          immediate and urgent individual and family  
11          needs;

12          “(G) to achieve greater participation in the  
13          affairs of the community; and

14          “(H) to make more effective use of other  
15          programs related to the purposes of this sub-  
16          title (including State welfare reform efforts);

17          “(2) a description of how the State intends to  
18          use discretionary funds made available from the re-  
19          mainder of the allotment described in section  
20          675C(b) in accordance with this subtitle; including a  
21          description of how the State will support innovative  
22          community and neighborhood-based initiatives relat-  
23          ed to the purposes of this subtitle;

24          “(3) based on information provided by eligible  
25          entities in the State; a description of—

1           “(A) the service delivery system, for serv-  
2           ices provided or coordinated with funds made  
3           available through the allotment, targeted to  
4           low-income individuals and families in commu-  
5           nities within the State;

6           “(B) a description of how linkages will be  
7           developed to fill identified gaps in the services;  
8           through the provision of information, referrals,  
9           ease management, and followup consultations;

10          “(C) a description of how funds made  
11          available through the allotment will be coordi-  
12          nated with other public and private resources;  
13          and

14          “(D) a description of how the funds will be  
15          used to support innovative community and  
16          neighborhood-based initiatives related to the  
17          purposes of this subtitle;

18          “(4) an assurance that the State will provide;  
19          on an emergency basis, for the provision of such  
20          supplies and services, nutritious foods, and related  
21          services, as may be necessary to counteract condi-  
22          tions of starvation and malnutrition among low-in-  
23          come individuals;

24          “(5) an assurance that the State will coordi-  
25          nate, and establish linkages between, governmental

1 and other social services programs to assure the ef-  
2 fective delivery of such services to low-income indi-  
3 viduals;

4 “(6) an assurance that the State will ensure co-  
5 ordination between antipoverty programs in each  
6 community; and ensure, where appropriate, that  
7 emergency energy crisis intervention programs under  
8 title XXVI (relating to low-income home energy as-  
9 sistance) are conducted in such community;

10 “(7) an assurance that the State will permit  
11 and cooperate with Federal investigations under-  
12 taken in accordance with section 678D;

13 “(8) an assurance that any eligible entity that  
14 received funding in the previous fiscal year under  
15 this subtitle will not have its funding terminated  
16 under this subtitle, or reduced below the propor-  
17 tional share of funding the entity received in the  
18 previous fiscal year unless, after providing notice  
19 and an opportunity for a hearing on the record, the  
20 State determines that cause exists for such termi-  
21 nation or such reduction, subject to review by the  
22 Secretary as provided in section 678C(b);

23 “(9) an assurance that the State will, to the  
24 maximum extent possible, coordinate programs with  
25 and form partnerships with other organizations serv-



1       ing low-income residents of the communities and  
2       members of the groups served by the State, includ-  
3       ing faith-based organizations, charitable groups, and  
4       community organizations;

5           “(10) an assurance that the State will require  
6       each eligible entity to establish procedures under  
7       which a low-income individual, community organiza-  
8       tion, or faith-based organization, or representative of  
9       low-income individuals that considers its organiza-  
10      tion, or low-income individuals, to be inadequately  
11      represented on the board (or other mechanism) of  
12      the eligible entity to petition for adequate represen-  
13      tation;

14          “(11) an assurance that the State will secure  
15      from each eligible entity, as a condition to receipt of  
16      funding by the entity under this subtitle for a pro-  
17      gram, a community action plan (which shall be sub-  
18      mitted to the Secretary, at the request of the Sec-  
19      retary, with the State plan) that includes a commu-  
20      nity-needs assessment for the community served,  
21      which may be coordinated with community-needs as-  
22      sessments conducted for other programs;

23          “(12) an assurance that the State and all eligi-  
24      ble entities in the State will, not later than fiscal  
25      year 2002, participate in the Results Oriented Man-

1       agement and Accountability System; any other per-  
 2       formance measure system established by the Sec-  
 3       retary under section 678E(b); or an alternative sys-  
 4       tem for measuring performance and results that  
 5       meets the requirements of that section; and a de-  
 6       scription of outcome measures to be used to measure  
 7       eligible entity performance in promoting self-suffi-  
 8       ciency, family stability, and community revitaliza-  
 9       tion; and

10       “~~(13)~~ information describing how the State will  
 11       carry out the assurances described in this sub-  
 12       section.

13       “(c) DETERMINATIONS.—For purposes of making a  
 14       determination in accordance with subsection (b)(8) with  
 15       respect to—

16       “~~(1)~~ a funding reduction; the term ‘cause’ in-  
 17       cludes—

18       “~~(A)~~ a statewide redistribution of funds  
 19       provided under this subtitle to respond to—

20       “~~(i)~~ the results of the most recently  
 21       available census or other appropriate data;

22       “~~(ii)~~ the designation of a new eligible  
 23       entity; or

24       “~~(iii)~~ severe economic dislocation; or

1           “(B) the failure of an eligible entity to  
 2           comply with the terms of an agreement to pro-  
 3           vide services under this subtitle; and

4           “(2) a termination; the term ‘cause’ includes  
 5           the material failure of an eligible entity to comply  
 6           with the terms of such an agreement and the State  
 7           plan to provide services under this subtitle or the  
 8           consistent failure of the entity to achieve perform-  
 9           ance measures as determined by the State.

10          “(d) PROCEDURES AND INFORMATION.—The Sec-  
 11         retary may prescribe procedures only for the purpose of  
 12         assessing the effectiveness of eligible entities in carrying  
 13         out the purposes of this subtitle.

14          “(e) REVISIONS AND INSPECTION.—

15                 “(1) REVISIONS.—The chief executive officer of  
 16                 each State may revise any plan prepared under this  
 17                 section and shall submit the revised plan to the Sec-  
 18                 retary.

19                 “(2) PUBLIC INSPECTION.—Each plan or re-  
 20                 vised plan prepared under this section shall be made  
 21                 available for public inspection within the State in  
 22                 such a manner as will facilitate review of, and com-  
 23                 ment on, the plan.

1 **“SEC. 676A. DESIGNATION AND REDESIGNATION OF ELIGI-**  
 2 **BLE ENTITIES IN UNSERVED AREAS.**

3 **“(a) QUALIFIED ORGANIZATION IN OR NEAR**  
 4 **AREA.—**

5 **“(1) IN GENERAL.—**If any geographic area of a  
 6 State is not, or ceases to be, served by an eligible  
 7 entity under this subtitle, and if the chief executive  
 8 officer of the State decides to serve such area, the  
 9 chief executive officer may solicit applications from,  
 10 and designate as an eligible entity, 1 or more—

11 **“(A)** private nonprofit organizations geo-  
 12 graphically located in the unserved area that  
 13 meet the requirements of this subtitle; or

14 **“(B)** private nonprofit organizations  
 15 (which may include eligible entities) located in  
 16 an area contiguous to or within reasonable  
 17 proximity of the unserved area that are already  
 18 providing related services in the unserved area.

19 **“(2) REQUIREMENT.—**In order to serve as the  
 20 eligible entity for the area, an entity described in  
 21 paragraph (1)(B) shall agree to add additional mem-  
 22 bers to the board of the entity to ensure adequate  
 23 representation—

24 **“(A)** in each of the 3 required categories  
 25 described in subparagraphs (A), (B), and (C) of  
 26 section 676B(a)(2), by members that reside in

1 the community comprised by the unserved area;  
 2 and

3 “(B) in the category described in section  
 4 676B(a)(2), by members that reside in the  
 5 neighborhood served.

6 “(b) SPECIAL CONSIDERATION.—In designating an  
 7 eligible entity under subsection (a), the chief executive of-  
 8 ficer shall grant the designation to an organization of  
 9 demonstrated effectiveness in meeting the goals and pur-  
 10 poses of this subtitle and may give priority, in granting  
 11 the designation, to local entities that are providing services  
 12 in the unserved area, consistent with the needs identified  
 13 by a community-needs assessment.

14 “(c) NO QUALIFIED ORGANIZATION IN OR NEAR  
 15 AREA.—If no private, nonprofit organization is identified  
 16 or determined to be qualified under subsection (a) to serve  
 17 the unserved area as an eligible entity the chief executive  
 18 officer may designate an appropriate political subdivision  
 19 of the State to serve as an eligible entity for the area.  
 20 In order to serve as the eligible entity for that area, the  
 21 political subdivision shall have a board or other mecha-  
 22 nism as required in section 676B(b).

23 **“SEC. 676B. TRIPARTITE BOARDS.**

24 “(a) PRIVATE NONPROFIT ENTITIES.—

1           “(1) BOARD.—In order for a private, nonprofit  
 2           entity to be considered to be an eligible entity for  
 3           purposes of section 673(1), the entity shall admin-  
 4           ister the community services block grant program  
 5           through a tripartite board described in paragraph  
 6           (2) that fully participates in the development and  
 7           implementation of the program to serve low-income  
 8           communities or groups.

9           “(2) SELECTION AND COMPOSITION OF  
 10          BOARD.—The members of the board referred to in  
 11          paragraph (1) shall be selected by the entity and the  
 12          board shall be composed so as to assure that—

13               “(A)  $\frac{1}{3}$  of the members of the board are  
 14               elected public officials, holding office on the  
 15               date of selection, or their representatives, ex-  
 16               cept that if the number of elected officials rea-  
 17               sonably available and willing to serve on the  
 18               board is less than  $\frac{1}{3}$  of the membership of the  
 19               board, membership on the board of appointive  
 20               public officials or their representatives may be  
 21               counted in meeting such  $\frac{1}{3}$  requirement;

22               “(B) not fewer than  $\frac{1}{3}$  of the members are  
 23               persons chosen in accordance with democratic  
 24               selection procedures adequate to assure that  
 25               these members are representative of low-income

1 individuals and families in the neighborhood  
 2 served;

3 “(C) the remainder of the members are of-  
 4 ficials or members of business, industry, labor,  
 5 religious, law enforcement, education, or other  
 6 major groups and interests in the community  
 7 served; and

8 “(D)(i) each member resides in the com-  
 9 munity; and

10 “(ii) each representative of low-income in-  
 11 dividuals and families selected to represent a  
 12 specific neighborhood within a community  
 13 under this paragraph resides in the neighbor-  
 14 hood represented by the member.

15 “(b) PUBLIC ORGANIZATIONS.—In order for a public  
 16 organization to be considered to be an eligible entity for  
 17 purposes of section 673(1), the entity shall administer the  
 18 community services block grant program through—

19 “(1) a tripartite board, which shall have mem-  
 20 bers selected by the organization and shall be com-  
 21 posed so as to assure that not fewer than  $\frac{1}{3}$  of the  
 22 members are persons chosen in accordance with  
 23 democratic selection procedures adequate to assure  
 24 that these members—

1           “(A) are representative of low-income indi-  
2           viduals and families in the neighborhood served;

3           “(B) reside in the neighborhood served;  
4           and

5           “(C) are able to participate actively in the  
6           planning and implementation of programs fund-  
7           ed under this subtitle; or

8           “(2) another mechanism specified by the State  
9           to assure decisionmaking and participation by low-  
10          income individuals in the planning, administration,  
11          and evaluation of programs funded under this sub-  
12          title.

13   **“SEC. 677. PAYMENTS TO INDIAN TRIBES.**

14          “(a) RESERVATION.—If, with respect to any State,  
15          the Secretary—

16               “(1) receives a request from the governing body  
17               of an Indian tribe or tribal organization within the  
18               State that assistance under this subtitle be made di-  
19               rectly to such tribe or organization; and

20               “(2) determines that the members of such tribe  
21               or tribal organization would be better served by  
22               means of grants made directly to provide benefits  
23               under this subtitle;

24          the Secretary shall reserve from amounts that would oth-  
25          erwise be allotted to such State under section 675B for



1 the fiscal year the amount determined under subsection  
2 (b).

3       “(b) DETERMINATION OF RESERVED AMOUNT.—The  
4 Secretary shall reserve for the purpose of subsection (a)  
5 from amounts that would otherwise be allotted to such  
6 State, not less than 100 percent of an amount that bears  
7 the same ratio to the State allotment for the fiscal year  
8 involved as the population of all eligible Indians for whom  
9 a determination has been made under subsection (a) bears  
10 to the population of all individuals eligible for assistance  
11 under this subtitle in such State.

12       “(c) AWARDS.—The sums reserved by the Secretary  
13 on the basis of a determination made under subsection (a)  
14 shall be made available by grant to the Indian tribe or  
15 tribal organization serving the individuals for whom such  
16 a determination has been made.

17       “(d) PLAN.—In order for an Indian tribe or tribal  
18 organization to be eligible for a grant award for a fiscal  
19 year under this section, the tribe or organization shall sub-  
20 mit to the Secretary a plan for such fiscal year that meets  
21 such criteria as the Secretary may prescribe by regulation.

22       “(e) DEFINITIONS.—In this section:

23               “(1) INDIAN TRIBE; TRIBAL ORGANIZATION.—  
24 The terms ‘Indian tribe’ and ‘tribal organization’  
25 mean a tribe, band, or other organized group recog-

1 nized in the State in which the tribe, band, or group  
 2 resides, or considered by the Secretary of the Inte-  
 3 rior, to be an Indian tribe or an Indian organization  
 4 for any purpose.

5 “(2) INDIAN.—The term ‘Indian’ means a  
 6 member of an Indian tribe or of a tribal organiza-  
 7 tion.

8 **“SEC. 678. OFFICE OF COMMUNITY SERVICES.**

9 “(a) OFFICE.—The Secretary shall carry out the  
 10 functions of this subtitle through an Office of Community  
 11 Services, which shall be established in the Department of  
 12 Health and Human Services. The Office shall be headed  
 13 by a Director.

14 “(b) GRANTS, CONTRACTS, COOPERATIVE AGREE-  
 15 MENTS.—The Secretary shall carry out functions of this  
 16 subtitle through grants, contracts, or cooperative agree-  
 17 ments.

18 **“SEC. 678A. TRAINING AND TECHNICAL ASSISTANCE.**

19 “(a) ACTIVITIES.—The Secretary shall use the  
 20 amounts reserved in section 674(b)(2) for training, tech-  
 21 nical assistance, planning, evaluation, and data collection  
 22 activities related to programs carried out under this sub-  
 23 title.

1       “(b) **PROCESS.**—The process for determining the  
2 training and technical assistance to be carried out under  
3 this section shall—

4           “(1) ensure that the needs of eligible entities  
5 and programs relating to improving program quality,  
6 including financial management practices, are ad-  
7 dressed to the maximum extent feasible; and

8           “(2) incorporate mechanisms to ensure respon-  
9 siveness to local needs, including an ongoing proce-  
10 dure for obtaining input from the national and State  
11 network of eligible entities.

12 **“SEC. 678B. MONITORING OF ELIGIBLE ENTITIES.**

13       “(a) **IN GENERAL.**—In order to determine whether  
14 eligible entities meet the performance goals, administra-  
15 tive standards, financial management requirements, and  
16 other requirements of a State, the State shall conduct the  
17 following reviews of eligible entities:

18           “(1) A full onsite review of each such entity at  
19 least once during each 3-year period.

20           “(2) An onsite review of each newly designated  
21 entity immediately after the completion of the first  
22 year in which such entity receives funds through the  
23 community services block grant program.

24           “(3) Followup reviews including prompt return  
25 visits to eligible entities, and their programs, that

1 fail to meet the goals, standards, and requirements  
2 established by the State.

3 ~~“(4) Other reviews as appropriate, including re-~~  
4 ~~views of entities with programs that have had other~~  
5 ~~Federal, State, or local grants terminated for cause.~~

6 ~~“(b) REQUESTS.—The State may request training~~  
7 ~~and technical assistance from the Secretary as needed to~~  
8 ~~comply with the requirements of this section.~~

9 **~~“SEC. 678C. CORRECTIVE ACTION; TERMINATION AND RE-~~**  
10 **~~DUCTION OF FUNDING.~~**

11 ~~“(a) DETERMINATION.—If the State determines, on~~  
12 ~~the basis of a review pursuant to subsection 678B, that~~  
13 ~~an eligible entity materially fails to comply with the terms~~  
14 ~~of an agreement, or the State plan, to provide services~~  
15 ~~under this subtitle or to meet appropriate standards,~~  
16 ~~goals, and other requirements established by the State (in-~~  
17 ~~cluding performance objectives), the State shall—~~

18 ~~“(1) inform the entity of the deficiency to be~~  
19 ~~corrected;~~

20 ~~“(2) require the entity to correct the deficiency;~~

21 ~~“(3)(A) offer training and technical assistance,~~  
22 ~~if appropriate, to help correct the deficiency, and~~  
23 ~~prepare and submit to the Secretary a report de-~~  
24 ~~scribing the training and technical assistance of-~~  
25 ~~fered; or~~

1           “(B) if the State determines that such training  
2           and technical assistance are not appropriate, prepare  
3           and submit to the Secretary a report stating the rea-  
4           sons for the determination;

5           “(4)(A) at the discretion of the State (taking  
6           into account the seriousness of the deficiency and  
7           the time reasonably required to correct the defi-  
8           ciency), allow the entity to develop and implement,  
9           within 60 days after being informed of the defi-  
10          ciency, a quality improvement plan to correct such  
11          deficiency within a reasonable period of time, as de-  
12          termined by the State; and

13          “(B) not later than 30 days after receiving  
14          from an eligible entity a proposed quality improve-  
15          ment plan pursuant to subparagraph (A), either ap-  
16          prove such proposed plan or specify the reasons why  
17          the proposed plan cannot be approved; and

18          “(5) after providing adequate notice and an op-  
19          portunity for a hearing, initiate proceedings to ter-  
20          minate the designation of or reduce the funding  
21          under this subtitle of the eligible entity unless the  
22          entity corrects the deficiency.

23          “(b) REVIEW.—A determination to terminate the  
24          designation or reduce the funding of an eligible entity is  
25          reviewable by the Secretary. The Secretary shall, upon re-

1 quest, review such a determination. The review shall be  
 2 completed not later than 60 days after the determination  
 3 to terminate the designation or reduce the funding. If the  
 4 review is not completed within 60 days, the determination  
 5 of the State shall become final at the end of the 60th day.

6 **~~“SEC. 678D. FISCAL CONTROLS, AUDITS, AND WITHHOLD-~~**  
 7 **~~ING.~~**

8 ~~“(a) FISCAL CONTROLS, PROCEDURES, AUDITS, AND~~  
 9 ~~INSPECTIONS.—~~

10 ~~“(1) IN GENERAL.—A State that receives funds~~  
 11 ~~under this subtitle shall—~~

12 ~~“(A) establish fiscal control and fund ac-~~  
 13 ~~counting procedures necessary to assure the~~  
 14 ~~proper disbursement of and accounting for Federal~~  
 15 ~~funds paid to the State under this subtitle, in-~~  
 16 ~~cluding procedures for monitoring the funds~~  
 17 ~~provided under this subtitle;~~

18 ~~“(B) ensure that cost and accounting~~  
 19 ~~standards of the Office of Management and~~  
 20 ~~Budget apply to a recipient of funds under this~~  
 21 ~~subtitle;~~

22 ~~“(C) prepare, at least every year (or in the~~  
 23 ~~case of a State with a 2-year State plan, every~~  
 24 ~~2 years) in accordance with paragraph (2) an~~  
 25 ~~audit of the expenditures of the State of~~

1 amounts received under this subtitle and  
2 amounts transferred to carry out the purposes  
3 of this subtitle; and

4 “(D) make appropriate books, documents,  
5 papers, and records available to the Secretary  
6 and the Comptroller General of the United  
7 States, or any of their duly authorized rep-  
8 resentatives, for examination, copying, or me-  
9 chanical reproduction on or off the premises of  
10 the appropriate entity upon a reasonable re-  
11 quest for the items.

12 “(2) AUDITS.—Each audit required by sub-  
13 section (a)(1)(C) shall be conducted by an entity  
14 independent of any agency administering activities  
15 or services carried out under this subtitle and shall  
16 be conducted in accordance with generally accepted  
17 accounting principles. Within 30 days after the com-  
18 pletion of each such audit in a State, the chief exec-  
19 utive officer of the State shall submit a copy of such  
20 audit to any eligible entity that was the subject of  
21 the audit at no charge, to the legislature of the  
22 State, and to the Secretary.

23 “(3) REPAYMENTS.—The State shall repay to  
24 the United States amounts found not to have been  
25 expended in accordance with this subtitle or the Sec-

1       retary may offset such amounts against any other  
 2       amount to which the State is or may become entitled  
 3       under this subtitle.

4       “(b) WITHHOLDING.—

5               “(1) IN GENERAL.—The Secretary shall, after  
 6       providing adequate notice and an opportunity for a  
 7       hearing conducted within the affected State, with-  
 8       hold funds from any State that does not utilize the  
 9       State allotment substantially in accordance with the  
 10      provisions of this subtitle, including the assurances  
 11      such State provided under section 676.

12              “(2) RESPONSE TO COMPLAINTS.—The Sec-  
 13      retary shall respond in an expeditious and speedy  
 14      manner to complaints of a substantial or serious na-  
 15      ture that a State has failed to use funds in accord-  
 16      ance with the provisions of this subtitle, including  
 17      the assurances provided by the State under section  
 18      676. For purposes of this paragraph, a complaint of  
 19      a failure to meet any 1 of the assurances provided  
 20      under section 676 that constitutes disregarding that  
 21      assurance shall be considered to be a complaint of  
 22      a serious nature.

23              “(3) INVESTIGATIONS.—Whenever the Sec-  
 24      retary determines that there is a pattern of com-  
 25      plaints of failures described in paragraph (2) from



1 any State in any fiscal year, the Secretary shall con-  
 2 duct an investigation of the use of funds received  
 3 under this subtitle by such State in order to ensure  
 4 compliance with the provisions of this subtitle.

5 **“SEC. 678E. ACCOUNTABILITY AND REPORTING REQUIRE-**  
 6 **MENTS.**

7 **“(a) STATE ACCOUNTABILITY AND REPORTING RE-**  
 8 **QUIREMENTS.—**

9 **“(1) PERFORMANCE MEASUREMENT.—**

10 **“(A) IN GENERAL.—**By October 1, 2001,  
 11 each State that receives funds under this sub-  
 12 title shall participate, and shall ensure that all  
 13 eligible entities in the State participate, in a  
 14 performance measurement system, which may  
 15 be a performance measurement system estab-  
 16 lished by the Secretary pursuant to subsection  
 17 (b), or an alternative system that meets the re-  
 18 quirements of subsection (b).

19 **“(B) LOCAL AGENCIES.—**The State may  
 20 elect to have local agencies who are subcontrac-  
 21 tors of the eligible entities under this subtitle  
 22 participate in the performance measurement  
 23 system. If the State makes that election, ref-  
 24 erences in this section to eligible entities shall  
 25 be considered to include the local agencies.

1           ~~“(2) ANNUAL REPORT.—~~Each State shall annu-  
 2           ally prepare and submit to the Secretary a report on  
 3           the measured performance of the State and the eligi-  
 4           ble entities in the State. Each State shall also in-  
 5           clude in the report an accounting of the expenditure  
 6           of funds received by the State through the commu-  
 7           nity services block grant program, including an ac-  
 8           counting of funds spent on administrative costs by  
 9           the State and the eligible entities, and funds spent  
 10          by eligible entities on the direct delivery of local  
 11          services, and shall include information on the num-  
 12          ber of and characteristics of clients served under this  
 13          subtitle in the State, based on data collected from  
 14          the eligible entities. The State shall also include in  
 15          the report a summary describing the training and  
 16          technical assistance offered by the State under sec-  
 17          tion 678C(a)(3) during the year covered by the re-  
 18          port.

19          ~~“(b) SECRETARY’S ACCOUNTABILITY AND REPORT-~~  
 20          ~~ING REQUIREMENTS.—~~

21          ~~“(1) PERFORMANCE MEASUREMENT.—~~The Sec-  
 22          retary, in collaboration with the States and with eli-  
 23          gible entities throughout the Nation, shall establish  
 24          1 or more model performance measurement systems,  
 25          which may be used by the States and by eligible en-

1       tities to measure their performance in carrying out  
 2       the requirements of this subtitle and in achieving the  
 3       goals of community action plans. The Secretary shall  
 4       provide technical assistance, including support for  
 5       the enhancement of electronic data systems, to  
 6       States and to eligible entities to enhance their capa-  
 7       bility to collect and report data for such a system  
 8       and to aid in their participation in such a system.

9       “(2) REPORTING REQUIREMENTS.—At the end  
 10      of each fiscal year beginning after September 30,  
 11      1999, the Secretary shall, directly or by grant or  
 12      contract, prepare a report containing—

13           “(A) a summary of the planned use of  
 14           funds by each State, and the eligible entities in  
 15           the State, under the community services block  
 16           grant program, as contained in each State plan  
 17           submitted pursuant to section 676;

18           “(B) a description of how funds were actu-  
 19           ally spent by the State and eligible entities in  
 20           the State, including a breakdown of funds spent  
 21           on administrative costs and on the direct deliv-  
 22           ery of local services by eligible entities;

23           “(C) information on the number of entities  
 24           eligible for funds under this subtitle; the num-  
 25           ber of low-income persons served under this

1 subtitle; and such demographic data on the low-  
 2 income populations served by eligible entities as  
 3 is determined by the Secretary to be feasible;

4 “(D) a comparison of the planned uses of  
 5 funds for each State and the actual uses of the  
 6 funds;

7 “(E) a summary of each State’s perform-  
 8 ance results; and the results for the eligible en-  
 9 tities; as collected and submitted by the States  
 10 in accordance with subsection (a)(2); and

11 “(F) any additional information that the  
 12 Secretary considers to be appropriate to carry  
 13 out this subtitle; if the Secretary informs the  
 14 States of the need for such additional informa-  
 15 tion and allows a reasonable period of time for  
 16 the States to collect and provide the informa-  
 17 tion.

18 “(3) SUBMISSION.—The Secretary shall submit  
 19 to the Committee on Education and the Workforce  
 20 of the House of Representatives and the Committee  
 21 on Labor and Human Resources of the Senate the  
 22 report described in paragraph (2); and any com-  
 23 ments the Secretary may have with respect to such  
 24 report. The report shall include definitions of direct,  
 25 indirect, and administrative costs used by the De-

1       partment of Health and Human Services for pro-  
2       grams funded under this subtitle.

3           ~~“(4) COSTS.—Of the funds reserved under sec-~~  
4       ~~tion 674(b)(3), not more than \$350,000 shall be~~  
5       ~~available to carry out the reporting requirements~~  
6       ~~contained in paragraph (2) and the provision of~~  
7       ~~technical assistance described in paragraph (1).~~

8       **“SEC. 678F. LIMITATIONS ON USE OF FUNDS.**

9           ~~“(a) CONSTRUCTION OF FACILITIES.—~~

10          ~~“(1) LIMITATIONS.—Except as provided in~~  
11       ~~paragraph (2), grants made under this subtitle~~  
12       ~~(other than amounts reserved under section~~  
13       ~~674(b)(3)) may not be used by the State, or by any~~  
14       ~~other person with which the State makes arrange-~~  
15       ~~ments to carry out the purposes of this subtitle, for~~  
16       ~~the purchase or improvement of land, or the pur-~~  
17       ~~chase, construction, or permanent improvement~~  
18       ~~(other than low-cost residential weatherization or~~  
19       ~~other energy-related home repairs) of any building~~  
20       ~~or other facility.~~

21          ~~“(2) WAIVER.—The Secretary may waive the~~  
22       ~~limitation contained in paragraph (1) upon a State~~  
23       ~~request for such a waiver, if the Secretary finds that~~  
24       ~~the request describes extraordinary circumstances to~~  
25       ~~justify the purchase of land or the construction of~~

1 facilities (or the making of permanent improve-  
 2 ments) and that permitting the waiver will contrib-  
 3 ute to the ability of the State to carry out the pur-  
 4 poses of this subtitle.

5 “(b) POLITICAL ACTIVITIES.—

6 “(1) TREATMENT AS A STATE OR LOCAL AGEN-  
 7 CY.—For purposes of chapter 15 of title 5, United  
 8 States Code, any entity that assumes responsibility  
 9 for planning, developing, and coordinating activities  
 10 under this subtitle and receives assistance under this  
 11 subtitle shall be deemed to be a State or local agen-  
 12 cy. For purposes of paragraphs (1) and (2) of sec-  
 13 tion 1502(a) of such title, any entity receiving as-  
 14 sistance under this subtitle shall be deemed to be a  
 15 State or local agency.

16 “(2) PROHIBITIONS.—Programs assisted under  
 17 this subtitle shall not be carried on in a manner in-  
 18 volving the use of program funds, the provision of  
 19 services, or the employment or assignment of per-  
 20 sonnel, in a manner supporting or resulting in the  
 21 identification of such programs with—

22 “(A) any partisan or nonpartisan political  
 23 activity or any political activity associated with  
 24 a candidate, or contending faction or group, in  
 25 an election for public or party office;

1           ~~“(B) any activity to provide voters or pro-~~  
 2           ~~spective voters with transportation to the polls~~  
 3           ~~or similar assistance in connection with any~~  
 4           ~~such election; or~~

5           ~~“(C) any voter registration activity.~~

6           ~~“(3) RULES AND REGULATIONS.—The Sec-~~  
 7           ~~retary, after consultation and regulations with the~~  
 8           ~~Office of Personnel Management, shall issue rules~~  
 9           ~~and regulations to provide for the enforcement of~~  
 10          ~~this subsection, which shall include provisions for~~  
 11          ~~summary suspension of assistance or other action~~  
 12          ~~necessary to permit enforcement on an emergency~~  
 13          ~~basis.~~

14          ~~“(e) NONDISCRIMINATION.—~~

15          ~~“(1) IN GENERAL.—No person shall, on the~~  
 16          ~~basis of race, color, religion, national origin, or sex~~  
 17          ~~be excluded from participation in, be denied the ben-~~  
 18          ~~efits of, or be subjected to discrimination under, any~~  
 19          ~~program or activity funded in whole or in part with~~  
 20          ~~funds made available under this subtitle. Any prohi-~~  
 21          ~~bition against discrimination on the basis of age~~  
 22          ~~under the Age Discrimination Act of 1975 (42~~  
 23          ~~U.S.C. 6101 et seq.) or with respect to an otherwise~~  
 24          ~~qualified individual with a disability as provided in~~  
 25          ~~section 504 of the Rehabilitation Act of 1973 (29~~

U.S.C. 794) or title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.) shall also apply to any such program or activity.

“(2) ACTION OF SECRETARY.—Whenever the Secretary determines that a State that has received a payment under this subtitle has failed to comply with paragraph (1) or an applicable regulation, the Secretary shall notify the chief executive officer of the State and shall request that the officer secure compliance. If within a reasonable period of time, not to exceed 60 days, the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to—

“(A) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;

“(B) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), or section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as may be applicable; or

“(C) take such other action as may be provided by law.



1           ~~“(3) ACTION OF ATTORNEY GENERAL.—~~When a  
 2           matter is referred to the Attorney General pursuant  
 3           to paragraph ~~(2)~~; or whenever the Attorney General  
 4           has reason to believe that the State is engaged in a  
 5           pattern or practice of discrimination in violation of  
 6           the provisions of this subsection, the Attorney Gen-  
 7           eral may bring a civil action in any appropriate  
 8           United States district court for such relief as may  
 9           be appropriate, including injunctive relief.

10   **~~“SEC. 679. OPERATIONAL RULE.~~**

11           ~~“(a) FAITH-BASED ORGANIZATIONS INCLUDED AS~~  
 12           ~~NONGOVERNMENTAL PROVIDERS.—~~For any program ear-  
 13           ried out by the Federal Government, or by a State or local  
 14           government under this subtitle, the government shall con-  
 15           sider, on the same basis as other nongovernmental organi-  
 16           zations, faith-based organizations to provide the assistance  
 17           under the program, so long as the program is implemented  
 18           in a manner consistent with the Establishment Clause of  
 19           the first amendment to the Constitution. Neither the Fed-  
 20           eral Government nor a State or local government receiving  
 21           funds under this subtitle shall discriminate against an or-  
 22           ganization that provides assistance under, or applies to  
 23           provide assistance under, this subtitle, on the basis that  
 24           the organization has a faith-based character.

1       “(b) ~~ADDITIONAL SAFEGUARDS.~~—Neither the Fed-  
 2       eral Government nor a State or local government shall re-  
 3       quire a faith-based organization to remove religious art,  
 4       icons, scripture, or other symbols in order to be eligible  
 5       to provide assistance under a program described in sub-  
 6       section (a).

7       “(c) ~~LIMITATIONS ON USE OF FUNDS FOR CERTAIN~~  
 8       PURPOSES.—No funds provided through a grant or con-  
 9       tract to a faith-based organization to provide assistance  
 10      under any program described in subsection (a) shall be  
 11      expended for sectarian worship, instruction, or proselytiza-  
 12      tion.

13      “(d) ~~FISCAL ACCOUNTABILITY.~~—

14           “(1) ~~IN GENERAL.~~—Except as provided in para-  
 15      graph (2), any faith-based organization providing as-  
 16      sistance under any program described in subsection  
 17      (a) shall be subject to the same regulations as other  
 18      nongovernmental organizations to account in accord  
 19      with generally accepted accounting principles for the  
 20      use of such funds provided under such program.

21           “(2) ~~LIMITED AUDIT.~~—Such organization shall  
 22      segregate government funds provided under such  
 23      program into a separate account. Only the govern-  
 24      ment funds shall be subject to audit by the govern-  
 25      ment.

1 **“SEC. 680. DISCRETIONARY AUTHORITY OF THE SEC-**  
2 **RETARY.**

3 **“(a) GRANTS, CONTRACTS, ARRANGEMENTS, LOANS,**  
4 **AND GUARANTEES.—**

5 **“(1) IN GENERAL.—**The Secretary shall, from  
6 funds reserved under section 674(b)(3), make  
7 grants, loans, or guarantees to States and public  
8 agencies and private, nonprofit organizations, or  
9 enter into contracts or jointly financed cooperative  
10 arrangements with States and public agencies and  
11 private, nonprofit organizations (and for-profit orga-  
12 nizations, to the extent specified in paragraph  
13 (2)(E)) for each of the objectives described in para-  
14 graphs (2) through (4).

15 **“(2) COMMUNITY ECONOMIC DEVELOPMENT.—**

16 **“(A) ECONOMIC DEVELOPMENT ACTIVI-**  
17 **TIES.—**The Secretary shall make grants de-  
18 scribed in paragraph (1) on a competitive basis  
19 to private, non-profit organizations that are  
20 community development corporations to provide  
21 technical and financial assistance for economic  
22 development activities designed to address the  
23 economic needs of low-income individuals and  
24 families by creating employment and business  
25 development opportunities.

1           “(B) CONSULTATION.—The Secretary  
2 shall exercise the authority provided under sub-  
3 paragraph (A) after consultation with other rel-  
4 evant Federal officials.

5           “(C) GOVERNING BOARDS.—For a commu-  
6 nity development corporation to receive funds to  
7 carry out this paragraph, the corporation shall  
8 be governed by a board that shall consist of  
9 residents of the community and business and  
10 civic leaders and shall have as a principal pur-  
11 pose planning, developing, or managing low-in-  
12 come housing or community development  
13 projects.

14          “(D) GEOGRAPHIC DISTRIBUTION.—In  
15 making grants to carry out this paragraph, the  
16 Secretary shall take into consideration the geo-  
17 graphic distribution of funding among States  
18 and the relative proportion of funding among  
19 rural and urban areas.

20          “(E) RESERVATION.—Of the amounts  
21 made available to carry out this paragraph, the  
22 Secretary may reserve not more than 1 percent  
23 for each fiscal year to make grants to private,  
24 nonprofit organizations or to enter into con-  
25 tracts with private, nonprofit or for-profit orga-

nizations to provide technical assistance to aid community development corporations in developing or implementing activities funded to carry out this paragraph and to evaluate activities funded to carry out this paragraph.

~~“(3) RURAL COMMUNITY DEVELOPMENT ACTIVITIES.—~~The Secretary shall provide the assistance described in paragraph (1) for rural community development activities, which shall include—

~~“(A) grants to private, nonprofit corporations that provide assistance concerning home repair to rural low-income families and planning and developing low-income rural rental housing units; and~~

~~“(B) grants to multistate, regional, private, nonprofit organizations to provide training and technical assistance to small, rural communities in meeting their community facility needs.~~

~~“(4) NEIGHBORHOOD INNOVATION PROJECTS.—~~The Secretary shall provide the assistance described in paragraph (1) for neighborhood innovation projects, which shall include grants to neighborhood-based private, nonprofit organizations to test or assist in the development of new approaches or methods that will aid in overcoming spe-

1        cial problems identified by communities or neighbor-  
 2        hoods or otherwise assist in furthering the purposes  
 3        of this subtitle, and which may include projects that  
 4        are designed to serve low-income individuals and  
 5        families who are not being effectively served by other  
 6        programs.

7        “(b) EVALUATION.—The Secretary shall require all  
 8        activities receiving assistance under this section to be eval-  
 9        uated for their effectiveness. Funding for such evaluations  
 10       shall be provided as a stated percentage of the assistance  
 11       or through a separate grant awarded by the Secretary spe-  
 12       cifically for the purpose of evaluation of a particular activ-  
 13       ity or group of activities.

14       “(c) ANNUAL REPORT.—The Secretary shall compile  
 15       an annual report containing a summary of the evaluations  
 16       required in subsection (b) and a listing of all activities as-  
 17       sisted under this section. The Secretary shall annually  
 18       submit the report to the Chairperson of the Committee  
 19       on Education and the Workforce of the House of Rep-  
 20       resentatives and the Chairperson of the Committee on  
 21       Labor and Human Resources of the Senate.

22       **“SEC. 681. COMMUNITY FOOD AND NUTRITION PROGRAMS.**

23       “(a) GRANTS.—The Secretary may, through grants  
 24       to public and private, nonprofit agencies, provide for com-  
 25       munity-based, local, statewide, and national programs—

1           “(1) to coordinate private and public food as-  
 2           sistance resources; wherever the grant recipient de-  
 3           termines such coordination to be inadequate, to bet-  
 4           ter serve low-income populations;

5           “(2) to assist low-income communities to iden-  
 6           tify potential sponsors of child nutrition programs  
 7           and to initiate such programs in underserved or  
 8           unserved areas; and

9           “(3) to develop innovative approaches at the  
 10          State and local level to meet the nutrition needs of  
 11          low-income individuals.

12          “(b) ALLOTMENTS AND DISTRIBUTION OF FUNDS.—

13               “(1) IN GENERAL.—Of the amount appro-  
 14               priated for a fiscal year to carry out this section, the  
 15               Secretary shall distribute funds for grants under  
 16               subsection (a) as follows:

17                       “(A) ALLOTMENTS.—From 60 percent of  
 18                       such amount (but not to exceed \$3,600,000),  
 19                       the Secretary shall allot for grants to eligible  
 20                       agencies for statewide programs in each State  
 21                       the amount that bears the same ratio to 60 per-  
 22                       cent of such amount as the low-income and un-  
 23                       employed population of such State bears to the  
 24                       low-income and unemployed population of all  
 25                       the States.

1           “(B) COMPETITIVE GRANTS.—From 40  
 2           percent of such amount (but not to exceed  
 3           \$2,400,000), the Secretary shall make grants  
 4           on a competitive basis to eligible agencies for  
 5           local and statewide programs.

6           “(2) GREATER AVAILABLE APPROPRIATIONS.—  
 7           Any amounts appropriated for a fiscal year to carry  
 8           out this section in excess of \$6,000,000 shall be al-  
 9           lotted as follows:

10           “(A) ALLOTMENTS.—The Secretary shall  
 11           use 40 percent of such excess to make allot-  
 12           ments for grants under subsection (a) to eligi-  
 13           ble agencies for statewide programs in each  
 14           State in an amount that bears the same ratio  
 15           to 40 percent of such excess as the low-income  
 16           and unemployed population of such State bears  
 17           to the low-income and unemployed population  
 18           of all the States.

19           “(B) COMPETITIVE GRANTS FOR LOCAL  
 20           AND STATEWIDE PROGRAMS.—The Secretary  
 21           shall use 40 percent of such excess to make  
 22           grants under subsection (a) on a competitive  
 23           basis to eligible agencies for local and statewide  
 24           programs.



1           ~~“(C) COMPETITIVE GRANTS FOR NATION-~~  
 2           ~~WIDE PROGRAMS.—~~The Secretary shall use the  
 3           remaining 20 percent of such excess to make  
 4           grants under subsection (a) on a competitive  
 5           basis to eligible agencies for nationwide pro-  
 6           grams, including programs benefiting Indians  
 7           as defined in section 677 and migrant or sea-  
 8           sonal farmworkers.

9           ~~“(3) ELIGIBILITY FOR ALLOTMENTS FOR~~  
 10          ~~STATEWIDE PROGRAMS.—~~To be eligible to receive an  
 11          allotment under paragraph (1)(A) or (2)(A), an eli-  
 12          gible agency shall demonstrate that the proposed  
 13          program is statewide in scope and represents a com-  
 14          prehensive and coordinated effort to alleviate hunger  
 15          within the State.

16          ~~“(4) MINIMUM ALLOTMENTS FOR STATEWIDE~~  
 17          ~~PROGRAMS.—~~

18                 ~~“(A) IN GENERAL.—~~From the amounts al-  
 19                 lotted under paragraphs (1)(A) and (2)(A), the  
 20                 minimum total allotment for each State for  
 21                 each fiscal year shall be—

22                         ~~“(i) \$15,000 if the total amount ap-~~  
 23                         propriated to carry out this section is not  
 24                         less than \$7,000,000 but less than  
 25                         \$10,000,000;

1                   “(ii) \$20,000 if the total amount ap-  
 2                   propriated to carry out this section is not  
 3                   less than \$10,000,000 but less than  
 4                   \$15,000,000; or

5                   “(iii) \$30,000 if the total amount ap-  
 6                   propriated to carry out this section is not  
 7                   less than \$15,000,000.

8                   “(B) DEFINITION.—In this paragraph, the  
 9                   term ‘State’ does not include Guam, American  
 10                  Samoa, the United States Virgin Islands, the  
 11                  Commonwealth of the Northern Mariana Is-  
 12                  lands, or the Freely Associated States.

13                  “(5) MAXIMUM GRANTS.—From funds made  
 14                  available under paragraphs (1)(B) and (2)(B) for  
 15                  any fiscal year, the Secretary may not make grants  
 16                  under subsection (a) to an eligible agency in an ag-  
 17                  gregate amount exceeding \$50,000. From funds  
 18                  made available under paragraph (2)(C) for any fiscal  
 19                  year, the Secretary may not make grants under sub-  
 20                  section (a) to an eligible agency in an aggregate  
 21                  amount exceeding \$300,000.

22                  “(c) REPORT.—For each fiscal year, the Secretary  
 23                  shall prepare and submit, to the Committee on Education  
 24                  and the Workforce of the House of Representatives and  
 25                  the Committee on Labor and Human Resources of the

1 Senate, a report concerning the grants made under this  
 2 section. Such report shall include—

3           “(1) a list of grant recipients;

4           “(2) information on the amount of funding  
 5 awarded to each grant recipient; and

6           “(3) a summary of the activities performed by  
 7 the grant recipients with funding awarded under this  
 8 section and a description of the manner in which  
 9 such activities meet the objectives described in sub-  
 10 section (a).

11       “(d) AUTHORIZATION OF APPROPRIATIONS.—There  
 12 are authorized to be appropriated to carry out this section  
 13 \$25,000,000 for fiscal year 1999, and such sums as may  
 14 be necessary for each of fiscal years 2000 through 2003.

15 **“SEC. 682. NATIONAL OR REGIONAL PROGRAMS DESIGNED**  
 16 **TO PROVIDE INSTRUCTIONAL ACTIVITIES**  
 17 **FOR LOW-INCOME YOUTH.**

18       “(a) GENERAL AUTHORITY.—The Secretary is au-  
 19 thorized to make a grant to an eligible service provider  
 20 to administer national or regional programs to provide in-  
 21 structional activities for low-income youth. In making such  
 22 a grant, the Secretary shall give priority to eligible service  
 23 providers that have a demonstrated ability to operate such  
 24 a program.

1       “(b) PROGRAM REQUIREMENTS.—Any instructional  
 2 activity carried out by an eligible service provider receiving  
 3 a grant under this section shall be carried out on the cam-  
 4 pus of an institution of higher education (as defined in  
 5 section 1201(a) of the Higher Education Act of 1965 (20  
 6 U.S.C. 1141(a))) and shall include—

7           “(1) access to the facilities and resources of  
 8 such an institution;

9           “(2) an initial medical examination and follow-  
 10 up referral or treatment, without charge, for youth  
 11 during their participation in such activity;

12          “(3) at least 1 nutritious meal daily, without  
 13 charge, for participating youth during each day of  
 14 participation;

15          “(4) high quality instruction in a variety of  
 16 sports (that shall include swimming and that may  
 17 include dance and any other high quality rec-  
 18 reational activity) provided by coaches and teachers  
 19 from institutions of higher education and from ele-  
 20 mentary and secondary schools (as defined in section  
 21 14101 of the Elementary and Secondary Education  
 22 Act of 1965 (20 U.S.C. 8801)); and

23          “(5) enrichment instruction and information on  
 24 matters relating to the well-being of youth, to in-  
 25 clude educational opportunities and information on

1 study practices, education for the prevention of drug  
2 and alcohol abuse, and information on health and  
3 nutrition, career opportunities, and family and job  
4 responsibilities.

5 ~~“(e) ADVISORY COMMITTEE; PARTNERSHIPS.—The~~  
6 ~~eligible service provider shall, in each community in which~~  
7 ~~a program is funded under this section—~~

8 ~~“(1) ensure that—~~

9 ~~“(A) a community-based advisory commit-~~  
10 ~~tee is established, with representatives from~~  
11 ~~local youth, family, and social service organiza-~~  
12 ~~tions, schools, entities providing park and recre-~~  
13 ~~ation services, and other community-based orga-~~  
14 ~~nizations serving high-risk youth; or~~

15 ~~“(B) an existing community-based advisory~~  
16 ~~board, commission, or committee with similar~~  
17 ~~membership is utilized to serve as the commit-~~  
18 ~~tee described in subparagraph (A); and~~

19 ~~“(2) enter into formal partnerships with youth-~~  
20 ~~serving organizations or other appropriate social~~  
21 ~~service entities in order to link program participants~~  
22 ~~with year-round services in their home communities~~  
23 ~~that support and continue the objectives of this sub-~~  
24 ~~title.~~

1       “(d) ELIGIBLE PROVIDERS.—A service provider that  
 2 is a national private, nonprofit organization, a coalition  
 3 of such organizations, or a private, nonprofit organization  
 4 applying jointly with a business concern shall be eligible  
 5 for a grant under this section if—

6               “(1) the applicant has demonstrated experience  
 7 in operating a program providing instruction to low-  
 8 income youth;

9               “(2) the applicant agrees to contribute an  
 10 amount (in cash or in kind, fairly evaluated) of not  
 11 less than 25 percent of the amount requested;

12               “(3) the applicant agrees to use no funds from  
 13 a grant authorized under this section for administra-  
 14 tive expenses; and

15               “(4) the applicant agrees to comply with the  
 16 regulations or program guidelines promulgated by  
 17 the Secretary for use of funds made available  
 18 through the grant.

19       “(e) APPLICATIONS PROCESS.—To be eligible to re-  
 20 ceive a grant under this section, a service provider shall  
 21 submit to the Secretary, for approval, an application at  
 22 such time, in such manner, and containing such informa-  
 23 tion as the Secretary may require.

24       “(f) PROMULGATION OF REGULATIONS OR PROGRAM  
 25 GUIDELINES.—The Secretary shall promulgate regula-

1 tions or program guidelines to ensure funds made avail-  
 2 able through a grant made under this section are used  
 3 in accordance with the objectives of this subtitle.

4 “(g) **AUTHORIZATION OF APPROPRIATIONS.**—There  
 5 is authorized to be appropriated \$15,000,000 for each of  
 6 fiscal years 1999 through 2003 for grants to carry out  
 7 this section.

8 **“SEC. 683. REFERENCES.**

9 “Any reference in any provision of law to the poverty  
 10 line set forth in section 624 or 625 of the Economic Op-  
 11 portunity Act of 1964 shall be construed to be a reference  
 12 to the poverty line defined in section 673. Any reference  
 13 in any provision of law to any community action agency  
 14 designated under title II of the Economic Opportunity Act  
 15 of 1964 shall be construed to be a reference to an entity  
 16 eligible to receive funds under the community services  
 17 block grant program.”.

18 **SEC. 202. CONFORMING AMENDMENTS.**

19 (a) **PREPARATION.**—After consultation with the ap-  
 20 propriate committees of Congress and the Director of the  
 21 Office of Management and Budget, the Secretary of  
 22 Health and Human Services shall prepare recommended  
 23 legislation containing technical and conforming amend-  
 24 ments to reflect the changes made by this title.

1       (b) ~~SUBMISSION TO CONGRESS.~~—Not later than 6  
 2 months after the date of enactment of this Act, the Sec-  
 3 retary shall submit to Congress the recommended legisla-  
 4 tion referred to under subsection (a).

5 **SEC. 203. REPEALERS.**

6       Sections 407 and 408 of the Human Services Reau-  
 7 thorization Act of 1986 (42 U.S.C 9812a and 9910b) are  
 8 repealed.

9       **TITLE III—LOW-INCOME HOME**  
 10       **ENERGY ASSISTANCE**

11 **SEC. 301. AUTHORIZATION.**

12       (a) ~~IN GENERAL.~~—Section 2602(b) of the Low-In-  
 13 come Home Energy Assistance Act of 1981 (42 U.S.C.  
 14 8621(b)) is amended by striking “fiscal years 1995  
 15 through 1999” and inserting “fiscal years 1999 through  
 16 2004”.

17       (b) ~~PROGRAM YEAR.~~—Section 2602(c) of such Act  
 18 (42 U.S.C. 8621(c)) is amended to read as follows:

19       “(c)(1) Amounts appropriated under this section in  
 20 any fiscal year for programs and activities under this title  
 21 shall be made available for obligation in the succeeding  
 22 fiscal year.”.

23       (c) ~~INCENTIVE PROGRAM FOR LEVERAGING NON-~~  
 24 ~~FEDERAL RESOURCES.~~—Section 2602(d) of such Act (42  
 25 U.S.C. 8621(d)) is amended—



1           (1) by striking “(d)” and inserting “(d)(1)”;

2           (2) by striking “\$50,000,000” and all that fol-  
3       lows and inserting the following: “\$30,000,000 for  
4       each of fiscal years 1999 through 2004, except as  
5       provided in paragraph (2).”; and

6           (3) by adding at the end the following:

7       “(2) For any fiscal year for which the amount appro-  
8       priated under subsection (b) is not less than  
9       \$1,400,000,000, there are authorized to be appropriated  
10      to carry out section 2607A \$50,000,000 for each of fiscal  
11      years 1999 through 2004.”.

12       (d) ~~TECHNICAL AMENDMENT.~~—Section 2602(e) of  
13      such Act (42 U.S.C. 8621(e)) is amended by striking  
14      “subsection (g)” and inserting “subsection (e) of such sec-  
15      tion”.

16      **SEC. 302. DEFINITIONS.**

17       Section 2603(4) of the Low-Income Home Energy  
18      Assistance Act of 1981 (42 U.S.C. 8622(4)) is amended—

19           (1) by striking “the term” and inserting “The  
20      term”; and

21           (2) by striking the semicolon and inserting a  
22      period.

23      **SEC. 303. NATURAL DISASTERS AND OTHER EMERGENCIES.**

24       (a) ~~DEFINITIONS.~~—Section 2603 of the Low-Income  
25      Home Energy Assistance Act of 1981 is amended—

1           (1) by redesignating paragraphs (6) through  
2           (9) as paragraphs (8) through (11), respectively;

3           (2) by inserting before paragraph (8) (as rededesignated in paragraph (1)) the following:

5           “(7) NATURAL DISASTER.—The term ‘natural disaster’ means a weather event (relating to cold or hot weather), flood, earthquake, tornado, hurricane, or ice storm, or an event meeting such other criteria as the Secretary, in the discretion of the Secretary, may determine to be appropriate.”;

11           (3) by redesignating paragraphs (1) through (5) as paragraphs (2) through (6), respectively; and

13           (4) by inserting before paragraph (2) (as redesignated in paragraph (3)) the following:

15           “(1) EMERGENCY.—The term ‘emergency’ means—

16           “(A) a natural disaster;

17           “(B) a significant home energy supply shortage or disruption;

19           “(C) a significant increase in the cost of home energy, as determined by the Secretary;

21           “(D) a significant increase in home energy disconnections reported by a utility, a State regulatory agency, or another agency with necessary data;

24           “(E) a significant increase in participation in a public benefit program such as the food stamp pro-

1       gram carried out under the Food Stamp Act of 1977  
 2       (7 U.S.C. 2011 et seq.); the national program to  
 3       provide supplemental security income carried out  
 4       under title XVI of the Social Security Act (42  
 5       U.S.C. 1381 et seq.); or the State temporary assist-  
 6       ance for needy families program carried out under  
 7       part A of title IV of the Social Security Act (42  
 8       U.S.C. 601 et seq.); as determined by the head of  
 9       the appropriate Federal agency;

10       “(F) a significant increase in unemployment;  
 11       layoffs; or the number of households with an individ-  
 12       ual applying for unemployment benefits; as deter-  
 13       mined by the Secretary of Labor; or

14       “(G) an event meeting such criteria as the Sec-  
 15       retary, in the discretion of the Secretary, may deter-  
 16       mined to be appropriate.”.

17       (b) CONSIDERATIONS.—Section 2604(g) of such Act  
 18       (42 U.S.C. 8623(g)) is amended by striking the last 2 sen-  
 19       tences and inserting the following: “In determining wheth-  
 20       er to make such an allotment to a State, the Secretary  
 21       shall take into account the extent to which the State was  
 22       affected by the emergency or disaster involved; the avail-  
 23       ability to the State of other resources under the program  
 24       carried out under this title or any other program; whether  
 25       a Member of Congress has requested that the State receive

1 the allotment, and such other factors as the Secretary may  
 2 find to be relevant. Not later than 30 days after making  
 3 the determination, but prior to releasing an allotted  
 4 amount to a State, the Secretary shall notify Congress of  
 5 the allotments made pursuant to this subsection.”.

6 **SEC. 304. STATE ALLOTMENTS.**

7 Section 2604 of the Low-Income Home Energy As-  
 8 sistance Act of 1981 (42 U.S.C. 8623) is amended—

9 (1) in subsection (b)(1), by striking “the North-  
 10 ern Mariana Islands, and the Trust Territory of the  
 11 Pacific Islands.” and inserting “the Commonwealth  
 12 of the Northern Mariana Islands, and the combined  
 13 Freely Associated States.”;

14 (2) in subsection (c)(3)(B)(ii), by striking “ap-  
 15 plication” and inserting “applications”;

16 (3) by striking subsection (f);

17 (4) in subsection (g)—

18 (A) in the first sentence, by striking “(a)  
 19 through (f)” and inserting “(a) through (d)”;  
 20 and

21 (B) in the second sentence, by striking  
 22 “emergency or disaster,” and inserting “natural  
 23 disaster or other emergency,”; and

24 (5) by redesignating subsection (g) as sub-  
 25 section (e).

1 **SEC. 305. ADMINISTRATION.**

2 Section 2605 of the Low-Income Home Energy As-  
3 sistance Act of 1981 (42 U.S.C. 8624) is amended—

4 (1) in subsection (b)—

5 (A) in paragraph (9)(A), by striking “and  
6 not transferred pursuant to section 2604(f) for  
7 use under another block grant”;

8 (B) in paragraph (14), by striking “; and”  
9 and inserting a semicolon;

10 (C) in the matter following paragraph  
11 (14), by striking “The Secretary may not pre-  
12 scribe the manner in which the States will com-  
13 ply with the provisions of this subsection.”; and

14 (D) in the matter following paragraph  
15 (16), by inserting before “The Secretary shall  
16 issue” the following: “The Secretary may not  
17 prescribe the manner in which the States will  
18 comply with the provisions of this subsection.”;  
19 and

20 (2) in subsection (c)(1)—

21 (A) in subparagraph (B), by striking  
22 “States” and inserting “State”; and

23 (B) in subparagraph (G)(i), by striking  
24 “has” and inserting “had”.

1 **SEC. 306. PAYMENTS TO STATES.**

2 Section 2607(b)(2)(B) of the Low-Income Home En-  
 3 ergy Assistance Act of 1981 (42 U.S.C. 8626(b)(2)(B))  
 4 is amended—

5 (1) in the first sentence, by striking “and not  
 6 transferred pursuant to section 2604(f)”; and

7 (2) in the second sentence, by striking “but not  
 8 transferred by the State”.

9 **SEC. 307. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE**  
 10 **OPTION.**

11 (a) **EVALUATION.**—The Comptroller General shall  
 12 conduct an evaluation of the Residential Energy Assist-  
 13 ance Challenge program described in section 2607B of the  
 14 Low-Income Home Energy Assistance Act of 1981 (42  
 15 U.S.C. 8626b).

16 (b) **REPORT.**—Not later than 2 years after the date  
 17 of enactment of this Act, the Comptroller General shall  
 18 prepare and submit to Congress a report containing—

19 (1) the findings resulting from the evaluation  
 20 described in subsection (a); and

21 (2) the State evaluations described in para-  
 22 graphs (1) and (2) of subsection (b) of such section  
 23 2607B.

24 (c) **INCENTIVE GRANTS.**—Section 2607B(b)(1) of the  
 25 Low-Income Home Energy Assistance Act of 1981 (42  
 26 U.S.C. 8626b(b)(1)) is amended by striking “For each of

1 the fiscal years 1996 through 1999” and inserting “For  
2 each fiscal year”.

3 (d) ~~TECHNICAL AMENDMENTS.~~—Section 2607B of  
4 such Act (42 U.S.C. 8626b) is amended—

5 (1) in subsection (e)(2)—

6 (A) by redesignating subparagraphs (F)  
7 through (N) as subparagraphs (E) through  
8 (M), respectively; and

9 (B) in clause (i) of subparagraph (I) (as  
10 redesignated in subparagraph (A)), by striking  
11 “on” and inserting “of”; and

12 (2) by redesignating subsection (g) as sub-  
13 section (f).

14 **SEC. 308. TECHNICAL ASSISTANCE, TRAINING, AND COM-**  
15 **PLIANCE REVIEWS.**

16 (a) ~~IN GENERAL.~~—Section 2609A(a) of the Low-In-  
17 come Home Energy Assistance Act of 1981 (42 U.S.C.  
18 8628a(a)) is amended—

19 (1) in the matter preceding paragraph (1)—

20 (A) by striking “\$250,000” and inserting  
21 “\$300,000”; and

22 (B) by striking “Secretary—” and insert-  
23 ing “Secretary to conduct onsite compliance re-  
24 views of programs supported under this title  
25 or—”; and

4 (B) by inserting “(including Federal agen-  
5 cies)” after “public agencies”.

9 ~~“TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE~~  
10 ~~REVIEWS”.~~

13 ~~SEC. 401. SHORT TITLE.~~

16 ~~SEC. 402. FINDINGS.~~

(1) Economic well-being does not come solely from income, spending, and consumption, but also requires savings, investment, and accumulation of assets because assets can improve economic independence and stability, connect individuals with a viable and hopeful future, stimulate development of human and other capital, and enhance the welfare of offspring.



1           (2) Fully 1/2 of all Americans have either no,  
2 negligible, or negative assets available for invest-  
3 ment, just as the price of entry to the economic  
4 mainstream, the cost of a house, an adequate edu-  
5 cation, and starting a business, is increasing. Fur-  
6 ther, the household savings rate of the United States  
7 lags far behind other industrial nations presenting a  
8 barrier to economic growth.

9           (3) In the current tight fiscal environment, the  
10 United States should invest existing resources in  
11 high-yield initiatives. There is reason to believe that  
12 the financial returns, including increased income, tax  
13 revenue, and decreased welfare cash assistance, re-  
14 sulting from individual development accounts will far  
15 exceed the cost of investment in those accounts.

16           (4) Traditional public assistance programs con-  
17 centrating on income and consumption have rarely  
18 been successful in promoting and supporting the  
19 transition to increased economic self-sufficiency. In-  
20 come-based domestic policy should be complemented  
21 with asset-based policy because, while income-based  
22 policies ensure that consumption needs (including  
23 food, child care, rent, clothing, and health care) are  
24 met, asset-based policies provide the means to

1        achieve greater independence and economic well-  
 2        being.

3    **SEC. 403. PURPOSES.**

4        The purposes of this title are to provide for the estab-  
 5        lishment of demonstration projects designed to deter-  
 6        mine—

7            (1) the social, civic, psychological, and economic  
 8        effects of providing to individuals and families with  
 9        limited means an incentive to accumulate assets by  
 10       saving a portion of their earned income;

11           (2) the extent to which an asset-based policy  
 12       that promotes saving for postsecondary education,  
 13       homeownership, and microenterprise development  
 14       may be used to enable individuals and families with  
 15       limited means to increase their economic self-suffi-  
 16       ciency; and

17           (3) the extent to which an asset-based policy  
 18       stabilizes and improves families and the community  
 19       in which they live.

20    **SEC. 404. DEFINITIONS.**

21       In this title:

22           (1) **APPLICABLE PERIOD.**—The term “applica-  
 23       ble period” means, with respect to amounts to be  
 24       paid from a grant made for a project year, the cal-

1       endar year immediately preceding the calendar year  
2       in which the grant is made.

3           ~~(2) ELIGIBLE INDIVIDUAL.~~—The term “eligible  
4       individual” means an individual who is selected to  
5       participate by a qualified entity under section 409.

6           ~~(3) EMERGENCY WITHDRAWAL.~~—The term  
7       “emergency withdrawal” means a withdrawal by an  
8       eligible individual that—

9           ~~(A)~~ is a withdrawal of only those funds, or  
10       a portion of those funds, deposited by the indi-  
11       vidual in the individual development account of  
12       the individual;

13          ~~(B)~~ is permitted by a qualified entity on a  
14       ease-by-ease basis; and

15          ~~(C)~~ is made for—

16           ~~(i)~~ expenses for medical care or nec-  
17       essary to obtain medical care, for the indi-  
18       vidual or a spouse or dependent of the in-  
19       dividual described in paragraph ~~(8)(D)~~;

20           ~~(ii)~~ payments necessary to prevent the  
21       eviction of the individual from the resi-  
22       dence of the individual, or foreclosure on  
23       the mortgage for the principal residence of  
24       the individual, as defined in paragraph  
25       ~~(8)(B)~~; or

1                   (iii) payments necessary to enable the  
2                   individual to meet necessary living ex-  
3                   penses following loss of employment.

4           (4) HOUSEHOLD.—The term “household”  
5           means all individuals who share use of a dwelling  
6           unit as primary quarters for living and eating sepa-  
7           rate from other individuals.

8           (5) INDIVIDUAL DEVELOPMENT ACCOUNT.—

9                   (A) IN GENERAL.—The term “individual  
10           development account” means a trust created or  
11           organized in the United States exclusively for  
12           the purpose of paying the qualified expenses of  
13           an eligible individual, or enabling the eligible in-  
14           dividual to make an emergency withdrawal, but  
15           only if the written governing instrument creat-  
16           ing the trust meets the following requirements:

17                   (i) No contribution will be accepted  
18                   unless it is in cash or by check.

19                   (ii) The trustee is a federally insured  
20                   financial institution, or a State insured fi-  
21                   nancial institution if no federally insured  
22                   financial institution is available.

23                   (iii) The assets of the trust will be in-  
24                   vested in accordance with the direction of  
25                   the eligible individual after consultation

1 with the qualified entity providing deposits  
2 for the individual under section 410.

3 (iv) The assets of the trust will not be  
4 commingled with other property except in  
5 a common trust fund or common invest-  
6 ment fund.

7 (v) Except as provided in clause (vi),  
8 any amount in the trust which is attrib-  
9 utable to a deposit provided under section  
10 410 may be paid or distributed out of the  
11 trust only for the purpose of paying the  
12 qualified expenses of the eligible individual,  
13 or enabling the eligible individual to make  
14 an emergency withdrawal.

15 (vi) Any balance in the trust on the  
16 day after the date on which the individual  
17 for whose benefit the trust is established  
18 dies shall be distributed within 30 days of  
19 that date as directed by that individual to  
20 another individual development account es-  
21 tablished for the benefit of an eligible indi-  
22 vidual.

23 (B) CUSTODIAL ACCOUNTS.—For purposes  
24 of subparagraph (A), a custodial account shall  
25 be treated as a trust if the assets of the custo-

1           dial account are held by a bank (as defined in  
 2           section 408(n) of the Internal Revenue Code of  
 3           1986) or another person who demonstrates, to  
 4           the satisfaction of the Secretary, that the man-  
 5           ner in which such person will administer the  
 6           custodial account will be consistent with the re-  
 7           quirements of this title, and if the custodial ac-  
 8           count would, except for the fact that it is not  
 9           a trust, constitute an individual development  
 10          account described in subparagraph (A). For  
 11          purposes of this title, in the case of a custodial  
 12          account treated as a trust by reason of the pre-  
 13          ceding sentence, the custodian of that custodial  
 14          account shall be treated as the trustee thereof.

15          (6) PROJECT YEAR.—The term “project year”  
 16          means, with respect to a demonstration project, any  
 17          of the 4 consecutive 12-month periods beginning on  
 18          the date the project is originally authorized to be  
 19          conducted.

20          (7) QUALIFIED ENTITY.—

21                  (A) IN GENERAL.—The term “qualified en-  
 22          tity” means—

23                          (i) one or more not-for-profit organi-  
 24                          zations described in section 501(c)(3) of  
 25                          the Internal Revenue Code of 1986 and ex-

empt from taxation under section 501(a)  
of such Code; or

(ii) a State or local government agency, or a tribal government, submitting an application under section 405 jointly with an organization described in clause (i).

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing an organization described in subparagraph (A)(i) from collaborating with a financial institution or for-profit community development corporation to carry out the purposes of this title.

(8) QUALIFIED EXPENSES.—The term “qualified expenses” means 1 or more of the following, as provided by the qualified entity:

(A) POSTSECONDARY EDUCATIONAL EXPENSES.—Postsecondary educational expenses paid from an individual development account directly to an eligible educational institution. In this subparagraph:

(i) POSTSECONDARY EDUCATIONAL EXPENSES.—The term “postsecondary educational expenses” means the following:

(I) TUITION AND FEES.—Tuition and fees required for the enrollment

or attendance of a student at an eligible educational institution.

(II) FEES, BOOKS, SUPPLIES, AND EQUIPMENT.—Fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

(ii) ELIGIBLE EDUCATIONAL INSTITUTION.—The term “eligible educational institution” means the following:

(I) INSTITUTION OF HIGHER EDUCATION.—An institution described in section 481(a)(1) or 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141(a)), as such sections are in effect on the date of enactment of this title.

(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—An area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in



1                   section 521(33) of such Act), as such  
 2                   sections are in effect on the date of  
 3                   enactment of this title.

4                   (B) ~~FIRST-HOME PURCHASE.~~—Qualified  
 5                   acquisition costs with respect to a principal res-  
 6                   idence for a qualified first-time homebuyer, if  
 7                   paid from an individual development account di-  
 8                   rectly to the persons to whom the amounts are  
 9                   due. In this subparagraph:

10                   (i) ~~PRINCIPAL RESIDENCE.~~—The term  
 11                   “principal residence” means a principal  
 12                   residence, the qualified acquisition costs of  
 13                   which do not exceed 100 percent of the av-  
 14                   erage area purchase price applicable to  
 15                   such residence.

16                   (ii) ~~QUALIFIED ACQUISITION COSTS.~~—  
 17                   The term “qualified acquisition costs”  
 18                   means the costs of acquiring, constructing,  
 19                   or reconstructing a residence. The term in-  
 20                   cludes any usual or reasonable settlement,  
 21                   financing, or other closing costs.

22                   (iii) ~~QUALIFIED FIRST-TIME HOME-~~  
 23                   ~~BUYER.~~—

24                   (I) ~~IN GENERAL.~~—The term  
 25                   “qualified first-time homebuyer”

1 means an individual participating in  
 2 the project (and, if married, the indi-  
 3 vidual's spouse) who has no present  
 4 ownership interest in a principal resi-  
 5 dence during the 3-year period ending  
 6 on the date of acquisition of the prin-  
 7 cipal residence to which this subpara-  
 8 graph applies.

9 ~~(H) DATE OF ACQUISITION.—~~

10 The term “date of acquisition” means  
 11 the date on which a binding contract  
 12 to acquire, construct, or reconstruct  
 13 the principal residence to which this  
 14 subparagraph applies is entered into.

15 ~~(C) BUSINESS CAPITALIZATION.—~~Amounts

16 paid from an individual development account di-  
 17 rectly to a business capitalization account which  
 18 is established in a federally insured financial in-  
 19 stitution and is restricted to use solely for  
 20 qualified business capitalization expenses. In  
 21 this subparagraph:

22 ~~(i) QUALIFIED BUSINESS CAPITALIZA-~~

23 ~~TION EXPENSES.—~~The term “qualified  
 24 business capitalization expenses” means  
 25 qualified expenditures for the capitalization

1 of a qualified business pursuant to a quali-  
 2 fied plan.

3 (ii) ~~QUALIFIED EXPENDITURES.~~—The  
 4 term “qualified expenditures” means ex-  
 5 penditures included in a qualified plan, in-  
 6 cluding capital, plant, equipment, working  
 7 capital, and inventory expenses.

8 (iii) ~~QUALIFIED BUSINESS.~~—The term  
 9 “qualified business” means any business  
 10 that does not contravene any law or public  
 11 policy (as determined by the Secretary).

12 (iv) ~~QUALIFIED PLAN.~~—The term  
 13 “qualified plan” means a business plan, or  
 14 a plan to use a business asset purchased,  
 15 which—

16 (I) is approved by a financial in-  
 17 stitution, a microenterprise develop-  
 18 ment organization, or a nonprofit loan  
 19 fund having demonstrated fiduciary  
 20 integrity;

21 (II) includes a description of  
 22 services or goods to be sold, a market-  
 23 ing plan, and projected financial  
 24 statements; and

1 (III) may require the eligible in-  
 2 dividual to obtain the assistance of an  
 3 experienced entrepreneurial adviser.

4 (D) TRANSFERS TO IDAS OF FAMILY MEM-  
 5 BERS.—Amounts paid from an individual devel-  
 6 opment account directly into another such ac-  
 7 count established for the benefit of an eligible  
 8 individual who is—

9 (i) the individual's spouse; or

10 (ii) any dependent of the individual  
 11 with respect to whom the individual is al-  
 12 lowed a deduction under section 151 of the  
 13 Internal Revenue Code of 1986.

14 (9) QUALIFIED SAVINGS OF THE INDIVIDUAL  
 15 FOR THE PERIOD.—The term “qualified savings of  
 16 the individual for the period” means the aggregate  
 17 of the amounts contributed by the individual to the  
 18 individual development account of the individual  
 19 during the period.

20 (10) SECRETARY.—The term “Secretary”  
 21 means the Secretary of Health and Human Services.

22 (11) TRIBAL GOVERNMENT.—The term “tribal  
 23 government” means a tribal organization, as defined  
 24 in section 4 of the Indian Self-Determination and  
 25 Education Assistance Act (25 U.S.C. 450b) or a Na-

1        tive Hawaiian organization, as defined in section  
 2        9212 of the Native Hawaiian Education Act (20  
 3        U.S.C. 7912).

4    **SEC. 405. APPLICATIONS.**

5        (a)    ANNOUNCEMENT        OF       DEMONSTRATION  
 6    PROJECTS.—Not later than 3 months after the date of  
 7    enactment of this title, the Secretary shall publicly an-  
 8    nounce the availability of funding under this title for dem-  
 9    onstration projects and shall ensure that applications to  
 10   conduct the demonstration projects are widely available to  
 11   qualified entities.

12        (b)    SUBMISSION.—Not later than 6 months after the  
 13   date of enactment of this title, a qualified entity may sub-  
 14   mit to the Secretary an application to conduct a dem-  
 15   onstration project under this title.

16        (c)    CRITERIA.—In considering whether to approve an  
 17   application to conduct a demonstration project under this  
 18   title, the Secretary shall assess the following:

19            (1)    SUFFICIENCY OF PROJECT.—The degree to  
 20   which the project described in the application ap-  
 21   pears likely to aid project participants in achieving  
 22   economic self-sufficiency through activities requiring  
 23   qualified expenses. In making such assessment, the  
 24   Secretary shall consider the overall quality of project  
 25   activities in making any particular kind or combina-

1       tion of qualified expenses to be an essential feature  
2       of any project.

3           ~~(2) ADMINISTRATIVE ABILITY.—~~The experience  
4       and ability of the applicant to responsibly administer  
5       the project.

6           ~~(3) ABILITY TO ASSIST PARTICIPANTS.—~~The  
7       experience and ability of the applicant in recruiting;  
8       educating; and assisting project participants to in-  
9       crease their economic independence and general well-  
10      being through the development of assets.

11          ~~(4) COMMITMENT OF NON-FEDERAL FUNDS.—~~  
12      The aggregate amount of direct funds from non-  
13      Federal public sector and from private sources that  
14      are formally committed to the project as matching  
15      contributions.

16          ~~(5) ADEQUACY OF PLAN FOR PROVIDING IN-~~  
17      ~~FORMATION FOR EVALUATION.—~~The adequacy of  
18      the plan for providing information relevant to an  
19      evaluation of the project.

20          ~~(6) OTHER FACTORS.—~~Such other factors rel-  
21      evant to the purposes of this title as the Secretary  
22      may specify.

23          ~~(d) PREFERENCES.—~~In considering an application to  
24      conduct a demonstration project under this title, the Sec-  
25      retary shall give preference to an application that—

1           (1) demonstrates the willingness and ability to  
 2       select individuals described in section 408 who are  
 3       predominantly from households in which a child (or  
 4       children) is living with the child's biological or adop-  
 5       tive mother or father, or with the child's legal guard-  
 6       ian;

7           (2) provides a commitment of non-Federal  
 8       funds with a proportionately greater amount of such  
 9       funds committed by private sector sources; and

10          (3) targets such individuals residing within 1 or  
 11       more relatively well-defined neighborhoods or com-  
 12       munities (including rural communities) that experi-  
 13       ence high rates of poverty or unemployment.

14       (e) APPROVAL.—Not later than 9 months after the  
 15       date of enactment of this title, the Secretary shall, on a  
 16       competitive basis, approve such applications to conduct  
 17       demonstration projects under this title as the Secretary  
 18       deems appropriate, taking into account the assessments  
 19       required by subsections (c) and (d). The Secretary is en-  
 20       couraged to ensure that the applications that are approved  
 21       involve a range of communities (both rural and urban) and  
 22       diverse populations.

23       (f) CONTRACTS WITH NONPROFIT ENTITIES.—The  
 24       Secretary may contract with an entity described in section  
 25       501(c)(3) of the Internal Revenue Code of 1986 and ex-

1   empt from taxation under section 501(a) of such Code to  
 2   conduct any responsibility of the Secretary under this sec-  
 3   tion or section 412 if—

4           (1) such entity demonstrates the ability to con-  
 5   duct such responsibility; and

6           (2) the Secretary can demonstrate that such re-  
 7   sponsibility would not be conducted by the Secretary  
 8   at a lower cost.

9   **SEC. 406. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.**

10   (a) **DEMONSTRATION AUTHORITY.**—If the Secretary  
 11   approves an application to conduct a demonstration  
 12   project under this title, the Secretary shall, not later than  
 13   10 months after the date of enactment of this title, au-  
 14   thorize the applicant to conduct the project for 4 project  
 15   years in accordance with the approved application and the  
 16   requirements of this title.

17   (b) **GRANT AUTHORITY.**—For each project year of a  
 18   demonstration project conducted under this title, the Sec-  
 19   retary may make a grant to the qualified entity authorized  
 20   to conduct the project. In making such a grant, the Sec-  
 21   retary shall make the grant on the first day of the project  
 22   year in an amount not to exceed the lesser of—

23           (1) the aggregate amount of funds committed  
 24   as matching contributions by non-Federal public or  
 25   private sector sources; or



1           ~~(2) \$1,000,000.~~

2   **SEC. 407. RESERVE FUND.**

3       ~~(a) ESTABLISHMENT.~~—A qualified entity under this  
4 title, other than a State or local government agency, or  
5 a tribal government, shall establish a Reserve Fund which  
6 shall be maintained in accordance with this section.

7       ~~(b) AMOUNTS IN RESERVE FUND.—~~

8           ~~(1) IN GENERAL.~~—As soon after receipt as is  
9 practicable, a qualified entity shall deposit in the Re-  
10 serve Fund established under subsection (a)—

11           ~~(A)~~ all funds provided to the qualified en-  
12 tity by any public or private source in connec-  
13 tion with the demonstration project; and

14           ~~(B)~~ the proceeds from any investment  
15 made under subsection ~~(c)(2)~~.

16       ~~(2) UNIFORM ACCOUNTING REGULATIONS.—~~

17 The Secretary shall prescribe regulations with re-  
18 spect to accounting for amounts in the Reserve  
19 Fund established under subsection (a).

20       ~~(c) USE OF AMOUNTS IN THE RESERVE FUND.—~~

21       ~~(1) IN GENERAL.~~—A qualified entity shall use  
22 the amounts in the Reserve Fund established under  
23 subsection (a) to—

24           ~~(A)~~ assist participants in the demonstra-  
25 tion project in obtaining the skills (including

1 economic literacy, budgeting, credit, and coun-  
 2 seling) and information necessary to achieve  
 3 economic self-sufficiency through activities re-  
 4 quiring qualified expenses;

5 (B) provide deposits in accordance with  
 6 section 410 for individuals selected by the quali-  
 7 fied entity to participate in the demonstration  
 8 project;

9 (C) administer the demonstration project;  
 10 and

11 (D) provide the research organization eval-  
 12 uating the demonstration project under section  
 13 414 with such information with respect to the  
 14 demonstration project as may be required for  
 15 the evaluation.

16 (2) ~~AUTHORITY TO INVEST FUNDS.—~~

17 (A) ~~GUIDELINES.—~~The Secretary shall es-  
 18 tablish guidelines for investing amounts in the  
 19 Reserve Fund established under subsection (a)  
 20 in a manner that provides an appropriate bal-  
 21 ance between return, liquidity, and risk.

22 (B) ~~INVESTMENT.—~~A qualified entity shall  
 23 invest the amounts in its Reserve Fund that are  
 24 not immediately needed to carry out the provi-

1           sions of paragraph (1), in accordance with the  
2           guidelines established under subparagraph (A).

3           ~~(3) LIMITATION ON USES.—~~Not more than 9.5  
4           percent of the amounts provided to a qualified entity  
5           under section 406(b) shall be used by the qualified  
6           entity for the purposes described in subparagraphs  
7           (A), (C), and (D) of paragraph (1), of which not  
8           more than 2 percent of the amounts shall be used  
9           by the qualified entity for the purposes described in  
10          paragraph (1)(D). If 2 or more qualified entities are  
11          jointly administering a project, no qualified entity  
12          shall use more than its proportional share for the  
13          purposes described in subparagraphs (A), (C), and  
14          (D) of paragraph (1).

15          ~~(d) UNUSED FEDERAL GRANT FUNDS TRANS-~~  
16          ~~FERRED TO THE SECRETARY WHEN PROJECT TERMI-~~  
17          ~~NATES.—~~Notwithstanding subsection (c), upon the termi-  
18          nation of any demonstration project authorized under this  
19          section, the qualified entity conducting the project shall  
20          transfer to the Secretary an amount equal to—

21                 (1) the amounts in its Reserve Fund at time of  
22                 the termination; multiplied by

23                 (2) a percentage equal to—

1           (A) the aggregate amount of grants made  
2           to the qualified entity under section 406(b); di-  
3           vided by

4           (B) the aggregate amount of all funds pro-  
5           vided to the qualified entity by all sources to  
6           conduct the project.

7   **SEC. 408. ELIGIBILITY FOR PARTICIPATION.**

8           (a) IN GENERAL.—Any individual who is a member  
9           of a household that is eligible for assistance under the  
10          State temporary assistance for needy families program es-  
11          tablished under part A of title IV of the Social Security  
12          Act (42 U.S.C. 601 et seq.); or that meets each of the  
13          following requirements shall be eligible to participate in  
14          a demonstration project conducted under this title:

15           (1) INCOME TEST.—The adjusted gross income  
16           of the household does not exceed the earned income  
17           amount described in section 32 of the Internal Reve-  
18           nue Code of 1986 (taking into account the size of  
19           the household).

20           (2) NET WORTH TEST.—

21           (A) IN GENERAL.—The net worth of the  
22           household, as of the end of the calendar year  
23           preceding the determination of eligibility, does  
24           not exceed \$10,000.

1                    ~~(B) DETERMINATION OF NET WORTH.—~~

2                    For purposes of subparagraph (A), the net  
3                    worth of a household is the amount equal to—

4                    (i) the aggregate market value of all  
5                    assets that are owned in whole or in part  
6                    by any member of the household; minus

7                    (ii) the obligations or debts of any  
8                    member of the household.

9                    ~~(C) EXCLUSIONS.—~~For purposes of deter-  
10                    mining the net worth of a household, a house-  
11                    hold's assets shall not be considered to include  
12                    the primary dwelling unit and 1 motor vehicle  
13                    owned by the household.

14                    ~~(b) INDIVIDUALS UNABLE TO COMPLETE THE~~  
15                    ~~PROJECT.—~~The Secretary shall establish such regulations  
16                    as are necessary, including prohibiting future eligibility to  
17                    participate in any other demonstration project conducted  
18                    under this title, to ensure compliance with this title if an  
19                    individual participating in the demonstration project  
20                    moves from the community in which the project is con-  
21                    ducted or is otherwise unable to continue participating in  
22                    that project.

1 **SEC. 409. SELECTION OF INDIVIDUALS TO PARTICIPATE.**

2 From among the individuals eligible to participate in  
3 a demonstration project conducted under this title, each  
4 qualified entity shall select the individuals—

5 (1) that the qualified entity deems to be best  
6 suited to participate; and

7 (2) to whom the qualified entity will provide de-  
8 posits in accordance with section 410.

9 **SEC. 410. DEPOSITS BY QUALIFIED ENTITIES.**

10 (a) IN GENERAL.—Not less than once every 3 months  
11 during each project year, each qualified entity under this  
12 title shall deposit in the individual development account  
13 of each individual participating in the project, or into a  
14 parallel account maintained by the qualified entity—

15 (1) from the non-Federal funds described in  
16 section 405(c)(4), a matching contribution of not  
17 less than \$0.50 and not more than \$4 for every \$1  
18 of earned income (as defined in section 911(d)(2) of  
19 the Internal Revenue Code of 1986) deposited in the  
20 account by a project participant during that period;

21 (2) from the grant made under section 406(b),  
22 an amount equal to the matching contribution made  
23 under paragraph (1); and

24 (3) any interest that has accrued on amounts  
25 deposited under paragraph (1) or (2) on behalf of  
26 that individual into the individual development ac-

1       count of the individual or into a parallel account  
2       maintained by the qualified entity.

3       (b) ~~LIMITATION ON DEPOSITS FOR AN INDIVID-~~  
4 ~~UAL.~~—Not more than \$2,000 from a grant made under  
5 section 406(b) shall be provided to any 1 individual over  
6 the course of the demonstration project.

7       (c) ~~LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—~~  
8 Not more than \$4,000 from a grant made under section  
9 406(b) shall be provided to any 1 household over the  
10 course of the demonstration project.

11       (d) ~~WITHDRAWAL OF FUNDS.~~—The Secretary shall  
12 establish such guidelines as may be necessary to ensure  
13 that funds held in an individual development account are  
14 not withdrawn, except for 1 or more qualified expenses,  
15 or for an emergency withdrawal. Such guidelines shall in-  
16 clude a requirement that a responsible official of the quali-  
17 fied entity conducting a project approve such withdrawal  
18 in writing. The guidelines shall provide that no individual  
19 may withdraw funds from an individual development ac-  
20 count earlier than 6 months after the date on which the  
21 individual first deposits funds in the account.

22       (e) ~~REIMBURSEMENT.~~—An individual shall reimburse  
23 an individual development account for any funds with-  
24 drawn from the account for an emergency withdrawal, not  
25 later than 12 months after the date of the withdrawal.

1 If the individual fails to make the reimbursement, the  
 2 qualified entity administering the account shall transfer  
 3 the funds deposited into the account or a parallel account  
 4 under section 410 to the Reserve Fund of the qualified  
 5 entity, and use the funds to benefit other individuals par-  
 6 ticipating in the demonstration project involved.

7 **SEC. 411. LOCAL CONTROL OVER DEMONSTRATION**  
 8 **PROJECTS.**

9 A qualified entity under this title, other than a State  
 10 or local government agency or a tribal government, shall,  
 11 subject to the provisions of section 413, have sole author-  
 12 ity over the administration of the project. The Secretary  
 13 may prescribe only such regulations or guidelines with re-  
 14 spect to demonstration projects conducted under this title  
 15 as are necessary to ensure compliance with the approved  
 16 applications and the requirements of this title.

17 **SEC. 412. ANNUAL PROGRESS REPORTS.**

18 (a) IN GENERAL.—Each qualified entity under this  
 19 title shall prepare an annual report on the progress of the  
 20 demonstration project. Each report shall include both pro-  
 21 gram and participant information and shall specify for the  
 22 period covered by the report the following information:

23 (1) The number of individuals making a deposit  
 24 into an individual development account.



1           (2) The amounts in the Reserve Fund estab-  
2       lished with respect to the project.

3           (3) The amounts deposited in the individual de-  
4       velopment accounts.

5           (4) The amounts withdrawn from the individual  
6       development accounts and the purposes for which  
7       such amounts were withdrawn.

8           (5) The balances remaining in the individual  
9       development accounts.

10          (6) The savings account characteristics (such as  
11       threshold amounts and match rates) required to  
12       stimulate participation in the demonstration project,  
13       and how such characteristics vary among different  
14       populations or communities.

15          (7) What service configurations of the qualified  
16       entity (such as peer support, structured planning ex-  
17       ercises, mentoring, and case management) increased  
18       the rate and consistency of participation in the dem-  
19       onstration project and how such configurations var-  
20       ied among different populations or communities.

21          (8) Such other information as the Secretary  
22       may require to evaluate the demonstration project.

23       (b) SUBMISSION OF REPORTS.—The qualified entity  
24       shall submit each report required to be prepared under  
25       subsection (a) to—

1           (1) the Secretary; and

2           (2) the Treasurer (or equivalent official) of the  
3       State in which the project is conducted; if the State  
4       or a local government or a tribal government com-  
5       mitted funds to the demonstration project.

6       (c) **TIMING.**—The first report required by subsection  
7 (a) shall be submitted not later than 60 days after the  
8 end of the calendar year in which the Secretary authorized  
9 the qualified entity to conduct the demonstration project;  
10 and subsequent reports shall be submitted every 12  
11 months thereafter, until the conclusion of the project.

12 **SEC. 413. SANCTIONS.**

13       (a) **AUTHORITY TO TERMINATE DEMONSTRATION**  
14 **PROJECT.**—If the Secretary determines that a qualified  
15 entity under this title is not operating the demonstration  
16 project in accordance with the entity's application or the  
17 requirements of this title (and has not implemented any  
18 corrective recommendations directed by the Secretary);  
19 the Secretary shall terminate such entity's authority to  
20 conduct the demonstration project.

21       (b) **ACTIONS REQUIRED UPON TERMINATION.**—If  
22 the Secretary terminates the authority to conduct a dem-  
23 onstration project, the Secretary—

24           (1) shall suspend the demonstration project;

1           (2) shall take control of the Reserve Fund es-  
2           tablished pursuant to section 407;

3           (3) shall make every effort to identify another  
4           qualified entity (or entities) willing and able to con-  
5           duct the project in accordance with the approved ap-  
6           plication (or, as modified, if necessary to incorporate  
7           the recommendations) and the requirements of this  
8           title;

9           (4) shall, if the Secretary identifies an entity  
10          (or entities) described in paragraph (3)—

11                (A) authorize the entity (or entities) to  
12                conduct the project in accordance with the ap-  
13                proved application (or, as modified, if nec-  
14                essary, to incorporate the recommendations)  
15                and the requirements of this title;

16                (B) transfer to the entity (or entities) con-  
17                trol over the Reserve Fund established pursuant  
18                to section 407; and

19                (C) consider, for purposes of this title—

20                       (i) such other entity (or entities) to be  
21                       the qualified entity (or entities) originally  
22                       authorized to conduct the demonstration  
23                       project; and

1                   (ii) the date of such authorization to  
 2                   be the date of the original authorization;  
 3                   and

4                   (5) if, by the end of the 1-year period beginning  
 5                   on the date of the termination, the Secretary has not  
 6                   found a qualified entity (or entities) described in  
 7                   paragraph (3), shall—

8                   (A) terminate the project; and

9                   (B) from the amount remaining in the Re-  
 10                  serve Fund established as part of the project,  
 11                  remit to each source that provided funds under  
 12                  section 405(c)(4) to the entity originally au-  
 13                  thorized to conduct the project, an amount that  
 14                  bears the same ratio to the amount so remain-  
 15                  ing as the amount provided by the source under  
 16                  section 405(c)(4) bears to the amount provided  
 17                  by all such sources under that section.

18 **SEC. 414. EVALUATIONS.**

19           (a) **IN GENERAL.**—Not later than 10 months after  
 20 the date of enactment of this title, the Secretary shall  
 21 enter into a contract with an independent research organi-  
 22 zation to evaluate, individually and as a group, all quali-  
 23 fied entities and sources participating in the demonstra-  
 24 tion projects conducted under this title.

1       (b) ~~FACTORS TO EVALUATE.~~—In evaluating any  
2 demonstration project conducted under this title, the re-  
3 search organization shall address the following factors:

4           (1) The effects of incentives and organizational  
5 or institutional support on savings behavior in the  
6 demonstration project.

7           (2) The savings rates of individuals in the dem-  
8 onstration project based on demographic characteris-  
9 ties including gender, age, family size, race or ethnic  
10 background, and income.

11          (3) The economic, civic, psychological, and so-  
12 cial effects of asset accumulation, and how such ef-  
13 fects vary among different populations or commu-  
14 nities.

15          (4) The effects of individual development ac-  
16 counts on savings rates, homeownership, level of  
17 postsecondary education attained, and self-employ-  
18 ment, and how such effects vary among different  
19 populations or communities.

20          (5) The potential financial returns to the Fed-  
21 eral Government and to other public sector and pri-  
22 vate sector investors in individual development ac-  
23 counts over a 5-year and 10-year period of time.

24          (6) The lessons to be learned from the dem-  
25 onstration projects conducted under this title and if

1 a permanent program of individual development ac-  
 2 counts should be established.

3 ~~(7) Such other factors as may be prescribed by~~  
 4 ~~the Secretary.~~

5 ~~(c) METHODOLOGICAL REQUIREMENTS.—In evaluat-~~  
 6 ~~ing any demonstration project conducted under this title,~~  
 7 ~~the research organization shall—~~

8 ~~(1) for at least 1 site, use control groups to~~  
 9 ~~compare participants with nonparticipants;~~

10 ~~(2) before, during, and after the project, obtain~~  
 11 ~~such quantitative data as are necessary to evaluate~~  
 12 ~~the project thoroughly; and~~

13 ~~(3) develop a qualitative assessment, derived~~  
 14 ~~from sources such as in-depth interviews, of how~~  
 15 ~~asset accumulation affects individuals and families.~~

16 ~~(d) REPORTS BY THE SECRETARY.—~~

17 ~~(1) INTERIM REPORTS.—Not later than 90 days~~  
 18 ~~after the end of the calendar year in which the Sec-~~  
 19 ~~retary first authorizes a qualified entity to conduct~~  
 20 ~~a demonstration project under this title, and every~~  
 21 ~~12 months thereafter until all demonstration~~  
 22 ~~projects conducted under this title are completed,~~  
 23 ~~the Secretary shall submit to Congress an interim~~  
 24 ~~report setting forth the results of the reports sub-~~  
 25 ~~mitted pursuant to section 412(b).~~

1           (2) **FINAL REPORTS.**—Not later than 12  
 2       months after the conclusion of all demonstration  
 3       projects conducted under this title, the Secretary  
 4       shall submit to Congress a final report setting forth  
 5       the results and findings of all reports and evalua-  
 6       tions conducted pursuant to this title.

7       (e) **EVALUATION EXPENSES.**—The Secretary shall  
 8       expend such sums as may be necessary, but not more than  
 9       2 percent of the amounts appropriated under section 416  
 10      for a fiscal year, to carry out the purposes of this section.

11 **SEC. 415. TREATMENT OF FUNDS.**

12       Funds (including interest accruing) deposited in indi-  
 13      vidual development accounts shall not be considered to be  
 14      income for purposes of determining eligibility for, or the  
 15      amount of assistance furnished under, any Federal or fed-  
 16      erally assisted program based on need.

17 **SEC. 416. AUTHORIZATION OF APPROPRIATIONS.**

18       There is authorized to be appropriated to carry out  
 19      this title, \$25,000,000 for each of fiscal years 1999, 2000,  
 20      2001, 2002, and 2003 to remain available until expended.

21 **SECTION 1. SHORT TITLE.**

22       *This Act may be cited as the “Community Opportuni-*  
 23      *ties, Accountability, and Training and Educational Serv-*  
 24      *ices Act of 1998” or the “Coats Human Services Reauthor-*  
 25      *ization Act of 1998”.*

**1 SEC. 2. TABLE OF CONTENTS.**

**2       *The table of contents for this Act is as follows:***

- Sec. 1. Short title.*  
*Sec. 2. Table of contents.*

**TITLE I—HEAD START PROGRAMS**

- Sec. 101. Short title.*  
*Sec. 102. References.*  
*Sec. 103. Statement of purpose.*  
*Sec. 104. Definitions.*  
*Sec. 105. Financial assistance for Head Start programs.*  
*Sec. 106. Authorization of appropriations.*  
*Sec. 107. Allotment of funds.*  
*Sec. 108. Designation of Head Start agencies.*  
*Sec. 109. Quality standards.*  
*Sec. 110. Powers and functions of Head Start agencies.*  
*Sec. 111. Head Start transition.*  
*Sec. 112. Submission of plans to Governors.*  
*Sec. 113. Participation in Head Start programs.*  
*Sec. 114. Early Head Start programs for families with infants and toddlers.*  
*Sec. 115. Technical assistance and training.*  
*Sec. 116. Staff qualifications and development.*  
*Sec. 117. Research, demonstration, and evaluation.*  
*Sec. 118. Repeal.*

**TITLE II—COMMUNITY SERVICES BLOCK GRANT PROGRAM**

- Sec. 201. Reauthorization.*  
*Sec. 202. Conforming amendments.*  
*Sec. 203. Repealers.*

**TITLE III—LOW-INCOME HOME ENERGY ASSISTANCE**

- Sec. 301. Authorization.*  
*Sec. 302. Definitions.*  
*Sec. 303. Natural disasters and other emergencies.*  
*Sec. 304. State allotments.*  
*Sec. 305. Administration.*  
*Sec. 306. Payments to States.*  
*Sec. 307. Residential Energy Assistance Challenge option.*  
*Sec. 308. Technical assistance, training, and compliance reviews.*

**TITLE IV—ASSETS FOR INDEPENDENCE**

- Sec. 401. Short title.*  
*Sec. 402. Findings.*  
*Sec. 403. Purposes.*  
*Sec. 404. Definitions.*  
*Sec. 405. Applications.*  
*Sec. 406. Demonstration authority; annual grants.*  
*Sec. 407. Reserve Fund.*  
*Sec. 408. Eligibility for participation.*  
*Sec. 409. Selection of individuals to participate.*  
*Sec. 410. Deposits by qualified entities.*



*Sec. 411. Local control over demonstration projects.*

*Sec. 412. Annual progress reports.*

*Sec. 413. Sanctions.*

*Sec. 414. Evaluations.*

*Sec. 415. Treatment of funds.*

*Sec. 416. Authorization of appropriations.*

# **TITLE I—HEAD START PROGRAMS**

## **SEC. 101. SHORT TITLE.**

*This title may be cited as the “Head Start Amendments of 1998”.*

## **SEC. 102. REFERENCES.**

*Except as otherwise expressly provided, wherever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Head Start Act (42 U.S.C. 9831 et seq.).*

## **SEC. 103. STATEMENT OF PURPOSE.**

*The Head Start Act is amended by striking section 636 (42 U.S.C. 9831) and inserting the following:*

### **“SEC. 636. STATEMENT OF PURPOSE.**

*“It is the purpose of this subchapter to promote school readiness by enhancing the social and cognitive development of low-income children through the provision, to low-income children and their families, of health, educational, nutritional, social, and other services that are determined to be necessary, based on family needs assessments.”.*

1 **SEC. 104. DEFINITIONS.**

2 *Section 637 (42 U.S.C. 9832) is amended—*

3 *(1) by redesignating paragraphs (5) through (14)*  
 4 *as paragraphs (7) through (16), respectively;*

5 *(2) by redesignating paragraph (3) as para-*  
 6 *graph (6) and inserting such paragraph after para-*  
 7 *graph (4);*

8 *(3) by striking paragraph (4) and inserting the*  
 9 *following:*

10 *“(3) The term ‘child with a disability’ means—*

11 *“(A) a child with a disability, as defined in*  
 12 *section 602(3) of the Individuals with Disabil-*  
 13 *ities Education Act; and*

14 *“(B) an infant or toddler with a disability,*  
 15 *as defined in section 632(5) of such Act.*

16 *“(4) The term ‘delegate agency’ means a public,*  
 17 *private nonprofit, or for-profit organization or agency*  
 18 *to which a grantee has delegated all or part of the re-*  
 19 *sponsibility of the grantee for operating a Head Start*  
 20 *program.*

21 *“(5) The term ‘family literacy services’ means*  
 22 *services that—*

23 *“(A) are provided to participants who re-*  
 24 *ceive the services on a voluntary basis;*

25 *“(B) are of sufficient intensity, and of suffi-*  
 26 *cient duration, to make sustainable changes in a*

1       *family (such as eliminating or reducing depend-*  
 2       *ence on income-based public assistance); and*

3               *“(C) integrate each of—*

4                   *“(i) interactive literacy activities be-*  
 5                   *tween parents and their children;*

6                   *“(ii) training for parents on being*  
 7                   *partners with their children in learning;*

8                   *“(iii) parent literacy training, includ-*  
 9                   *ing training that contributes to economic*  
 10                  *self-sufficiency; and*

11                  *“(iv) appropriate instruction for chil-*  
 12                  *dren of parents receiving the parent literacy*  
 13                  *training.”;*

14                *(4) in paragraph (8) (as redesignated in para-*  
 15                *graph (1)), by adding at the end the following: “Noth-*  
 16                *ing in this paragraph shall be construed to require an*  
 17                *agency to provide services to a child who has not*  
 18                *reached the age of compulsory school attendance for*  
 19                *more than the number of hours per day permitted by*  
 20                *State law (including regulation) for the provision of*  
 21                *services to such a child.”;*

22                *(5) by striking paragraph (14) (as redesignated*  
 23                *in paragraph (1)) and inserting the following:*

24                   *“(14) The term ‘migrant or seasonal Head Start*  
 25                   *program’ means—*

1           “(A) with respect to services for migrant  
 2           farmworkers, a Head Start program that serves  
 3           families who are engaged in agricultural labor  
 4           and who have changed their residence from one  
 5           geographic location to another in the preceding  
 6           2-year period; and

7           “(B) with respect to services for seasonal  
 8           farmworkers, a Head Start program that serves  
 9           families who are engaged primarily in seasonal  
 10          agricultural labor and who have not changed  
 11          their residence to another geographic location in  
 12          the preceding 2-year period.”; and

13          (6) by adding at the end the following:

14          “(17) The term ‘reliable and replicable’, used  
 15          with respect to research, means an objective, valid,  
 16          scientific study that—

17                 “(A) includes a rigorously defined sample of  
 18                 subjects, that is sufficiently large and representa-  
 19                 tive to support the general conclusions of the  
 20                 study;

21                 “(B) relies on measurements that meet es-  
 22                 tablished standards of reliability and validity;

23                 “(C) is subjected to peer review before the  
 24                 results of the study are published; and

1                   “(D) discovers effective strategies for en-  
 2                   hancing the development and skills of children.”.

3   **SEC. 105. FINANCIAL ASSISTANCE FOR HEAD START PRO-**  
 4                   **GRAMS.**

5                   Section 638(1) (42 U.S.C. 9833(1)) is amended—

6                   (1) by striking “aid the” and inserting “enable  
 7                   the”; and

8                   (2) by striking the semicolon and inserting “and  
 9                   attain school readiness;”.

10   **SEC. 106. AUTHORIZATION OF APPROPRIATIONS.**

11                  Section 639 (42 U.S.C. 9834) is amended—

12                  (1) in subsection (a), by striking “1995 through  
 13                  1998” and inserting “1999 through 2003”; and

14                  (2) in subsection (b), by striking all that follows  
 15                  “shall make available—” and inserting the following:

16                   “(1) for each of fiscal years 1999 through 2003  
 17                   to carry out activities authorized under section 642A,  
 18                   not more than \$35,000,000 but not less than was  
 19                   made available for such activities for fiscal year 1998;

20                   “(2) not more than \$5,000,000 for each of fiscal  
 21                   years 1999 through 2003 to carry out impact studies  
 22                   under section 649(g); and

23                   “(3) not more than \$12,000,000 for fiscal year  
 24                   1999, and such sums as may be necessary for each of  
 25                   fiscal years 2000 through 2003, to carry out other re-

1        *search, demonstration, and evaluation activities, in-*  
 2        *cluding longitudinal studies, under section 649.”.*

3    **SEC. 107. ALLOTMENT OF FUNDS.**

4        (a) *ALLOTMENTS.*—Section 640(a) (42 U.S.C.  
 5    9835(a)) is amended—

6            (1) *in paragraph (2)—*

7                    (A) *in subparagraph (A)—*

8                            (i) *by striking “handicapped children”*  
 9                            *and inserting “children with disabilities”;*

10                            (ii) *by striking “migrant Head Start*  
 11                            *programs” each place it appears and insert-*  
 12                            *ing “migrant or seasonal Head Start pro-*  
 13                            *grams”; and*

14                            (iii) *by striking “1994” and inserting*  
 15                            *“1998”;*

16                    (B) *in subparagraph (C), by striking “and”*  
 17                    *at the end;*

18                    (C) *in subparagraph (D), by striking “re-*  
 19                    *lated to the development and implementation of*  
 20                    *quality improvement plans under section*  
 21                    *641A(d)(2).” and inserting “carried out under*  
 22                    *paragraph (1), (2), or (3) of section 641A(d) re-*  
 23                    *lated to correcting deficiencies and conducting*  
 24                    *proceedings to terminate the designation of Head*  
 25                    *Start agencies; and”;*

1           (D) by inserting after subparagraph (D) the  
2           following:

3           “(E) payments for research, demonstration, and  
4           evaluation activities under section 649.”; and

5           (E) by adding at the end the following: “In  
6           determining the need and demand for migrant  
7           and seasonal Head Start programs, and services  
8           provided through such programs, the Secretary  
9           shall consult with appropriate entities, including  
10          providers of services for seasonal and migrant  
11          Head Start programs. The Secretary shall, after  
12          taking into consideration the need and demand  
13          for migrant and seasonal Head Start programs,  
14          and such services, ensure that there is an ade-  
15          quate level of such services for the children of eli-  
16          gible migrant farmworkers before approving an  
17          increase in the allocation provided for children  
18          of eligible seasonal farmworkers. In carrying out  
19          this subchapter, the Secretary shall continue the  
20          administrative arrangement responsible for meet-  
21          ing the needs of migrant or seasonal farmworker  
22          and Indian children and shall assure that ap-  
23          propriate funding is provided to meet such  
24          needs.”;

25          (2) in paragraph (3)—

1                   (A) in subparagraph (B)—

2                   (i) in clause (ii)—

3                         (I) by striking “adequate quali-  
4                         fied staff” and inserting “adequate  
5                         numbers of qualified staff”; and

6                         (II) by inserting “and children  
7                         with disabilities” before “, when”;

8                   (ii) in clause (iv), by inserting before  
9                   the period the following: “, and to encourage  
10                   the staff to continually improve their skills  
11                   and expertise by informing the staff of the  
12                   availability of Federal and State incentive  
13                   and loan forgiveness programs for profes-  
14                   sional development and by providing for  
15                   preferences in the awarding of salary in-  
16                   creases, in excess of cost-of-living allow-  
17                   ances, to staff who obtain additional train-  
18                   ing or education related to their responsibil-  
19                   ities as employees of a Head Start program  
20                   or to advance their careers within the Head  
21                   Start program”;

22                   (iii) in clause (vi), by striking the pe-  
23                   riod and inserting “, and are physically ac-  
24                   cessible to children with disabilities and  
25                   their parents.”;



1                   (iv) by redesignating clause (vii) as  
2                   clause (viii); and

3                   (v) by inserting after clause (vi) the  
4                   following:

5                   “(vii) Ensuring that such programs have quali-  
6                   fied staff that can promote language skills and lit-  
7                   eracy growth of children and that can provide chil-  
8                   dren with a variety of skills that have been identified,  
9                   through research that is reliable and replicable, as  
10                  predictive of later reading achievement.”;

11                  (B) in subparagraph (C)—

12                   (i) in clause (i)(I)—

13                           (I) by striking “of staff” and in-  
14                           serting “of classroom teachers and  
15                           other staff”; and

16                           (II) by striking “such staff” and  
17                           inserting “qualified staff, including re-  
18                           cruitment and retention pursuant to  
19                           section 648A(a)”;

20                   (ii) by striking clause (ii) and insert-  
21                   ing the following:

22                   “(ii) To supplement amounts provided under  
23                   paragraph (2)(C) to provide training to classroom  
24                   teachers and other staff on proven techniques that  
25                   promote—

1                   “(I) language and literacy growth; and

2                   “(II) the acquisition of the English lan-  
3                   guage for non-English background children and  
4                   families.”;

5                   (iii) in clause (v), by inserting “acces-  
6                   sibility or” before “availability”;

7                   (iv) by redesignating clauses (iii), (iv),  
8                   (v), and (vi) as clauses (iv), (v), (vi), and  
9                   (iii), respectively; and

10                  (v) by inserting clause (iii) (as redesign-  
11                  ated in clause (iv) of this subparagraph)  
12                  after clause (ii); and

13                  (C) in subparagraph (D)(i)(II), by striking  
14                  “migrant Head Start programs” and inserting  
15                  “migrant or seasonal Head Start programs”;

16                  (3) in paragraph (4)(A), by striking “1981” and  
17                  inserting “1998”;

18                  (4) in paragraph (5)—

19                   (A) in subparagraph (A), by striking “sub-  
20                   paragraph (B)” and inserting “subparagraphs  
21                   (B) and (D)”;

22                   (B) in subparagraph (B), by inserting be-  
23                   fore the period the following: “and to encourage  
24                   Head Start agencies to collaborate with entities  
25                   involved in State and local planning processes

1           *(including the State lead agency administering*  
 2           *the financial assistance received under the Child*  
 3           *Care and Development Block Grant Act of 1990*  
 4           *(42 U.S.C. 9858 et seq.) and the entities provid-*  
 5           *ing resource and referral services in the State) in*  
 6           *order to better meet the needs of low-income chil-*  
 7           *dren and families”;*

8           *(C) in subparagraph (C)—*

9                   *(i) in clause (i)(I), by inserting “the*  
 10                   *appropriate regional office of the Adminis-*  
 11                   *tration for Children and Families and” be-*  
 12                   *fore “agencies”;*

13                   *(ii) in clause (iii), by striking “and”*  
 14                   *at the end;*

15                   *(iii) in clause (iv)—*

16                   *(I) by striking “education, and*  
 17                   *national service activities,” and insert-*  
 18                   *ing “education, and community service*  
 19                   *activities,”;*

20                   *(II) by striking “and activities”*  
 21                   *and inserting “activities”; and*

22                   *(III) by striking the period and*  
 23                   *inserting “, and services for homeless*  
 24                   *children; and”; and*

25                   *(iv) by adding at the end the following:*

1           “(v) include representatives of the State Head  
 2           Start Association and local Head Start agencies in  
 3           unified planning regarding early care and education  
 4           services at both the State and local levels, including  
 5           collaborative efforts to plan for the provision of full-  
 6           working-day, full calendar year early care and edu-  
 7           cation services for children.”;

8                         (D) by redesignating subparagraph (D) as  
 9                         subparagraph (F); and

10                        (E) by inserting after subparagraph (C) the  
 11                        following:

12           “(D) Following the award of collaboration grants de-  
 13           scribed in subparagraph (B), the Secretary shall provide,  
 14           from the reserved sums, supplemental funding for collabora-  
 15           tion grants—

16                       “(i) to States that (in consultation with their  
 17           State Head Start Associations) develop statewide, re-  
 18           gional, or local unified plans for early childhood edu-  
 19           cation and child care that include the participation  
 20           of Head Start agencies; and

21                       “(ii) to States that engage in other innovative  
 22           collaborative initiatives, including plans for collabo-  
 23           rative training and career development initiatives for  
 24           child care, early childhood education, and Head Start  
 25           service managers, providers, and staff.

1       “(E)(i) *The Secretary shall—*

2               “(I) *review on an ongoing basis evidence of bar-*  
3       *riers to effective collaboration between Head Start*  
4       *programs and other Federal child care and early*  
5       *childhood education programs and resources;*

6               “(II) *develop initiatives, including providing ad-*  
7       *ditional training and technical assistance and mak-*  
8       *ing regulatory changes, in necessary cases, to elimi-*  
9       *nate barriers to the collaboration; and*

10              “(III) *develop a mechanism to resolve adminis-*  
11       *trative and programmatic conflicts between such pro-*  
12       *grams that would be a barrier to service providers,*  
13       *parents, or children related to the provision of unified*  
14       *services and the consolidation of funding for child*  
15       *care services.*

16              “(ii) *In the case of a collaborative activity funded*  
17       *under this subchapter and another provision of law provid-*  
18       *ing for Federal child care or early childhood education, the*  
19       *use of equipment and nonconsumable supplies purchased*  
20       *with funds made available under this subchapter or such*  
21       *provision shall not be restricted to children enrolled or oth-*  
22       *erwise participating in the program carried out under that*  
23       *subchapter or provision, during a period in which the activ-*  
24       *ity is predominantly funded under this subchapter or such*  
25       *provision.”; and*

1           (5) in paragraph (6)—

2                   (A) by inserting “(A)” before “From”; and

3                   (B) by striking “3 percent” and all that fol-

4                   lows and inserting the following: “7.5 percent for

5                   fiscal year 1999, 8 percent for fiscal year 2000,

6                   9 percent for fiscal year 2001, 10 percent for fis-

7                   cal year 2002, and 10 percent for fiscal year

8                   2003, of the amount appropriated pursuant to

9                   section 639(a), except as provided in subpara-

10                  graph (B).

11           “(B)(i) For any fiscal year for which the Secretary

12           determines that the amount appropriated under section

13           639(a) is not sufficient to permit the Secretary to reserve

14           the portion described in subparagraph (A) without reducing

15           the number of children served by Head Start programs or

16           adversely affecting the quality of Head Start services, rel-

17           ative to the number of children served and the quality of

18           the services during the preceding fiscal year, the Secretary

19           may reduce the percentage of funds required to be reserved

20           for the portion described in subparagraph (A) for the fiscal

21           year for which the determination is made, but not below

22           the percentage required to be so reserved for the preceding

23           fiscal year.

24           “(ii) For any fiscal year for which the amount appro-

25           priated under section 639(a) is reduced to a level that re-

1 *quires a lower amount to be made available under this sub-*  
 2 *chapter to Head Start agencies and entities described in*  
 3 *section 645A, relative to the amount made available to the*  
 4 *agencies and entities for the preceding fiscal year, adjusted*  
 5 *as described in paragraph (3)(A)(ii), the Secretary shall*  
 6 *proportionately reduce—*

7           *“(I) the amounts made available to the entities*  
 8           *for programs carried out under section 645A; and*

9           *“(II) the amounts made available to Head Start*  
 10          *agencies for Head Start programs.”.*

11          *(b) CHILDREN WITH DISABILITIES.—Section 640(d)*  
 12          *(42 U.S.C. 9835(d)) is amended—*

13                 *(1) by striking “1982” and inserting “1999”;*  
 14          *and*

15                 *(2) by striking “(as defined in section 602(a) of*  
 16          *the Individuals with Disabilities Education Act)”.*

17          *(c) INCREASED APPROPRIATIONS.—Section 640(g) (42*  
 18          *U.S.C. 9835(g)) is amended—*

19                 *(1) in paragraph (2)—*

20                         *(A) in subparagraph (A), by striking the*  
 21                         *semicolon and inserting “, and the performance*  
 22                         *history of the applicant in providing services*  
 23                         *under other Federal programs (other than the*  
 24                         *program carried out under this subchapter);”;*

1           (B) in subparagraph (C), by striking “spo-  
 2           ken);” and inserting “spoken, and organizations  
 3           serving children with disabilities);”;

4           (C) in subparagraph (D), by inserting be-  
 5           fore the semicolon the following: “and the extent  
 6           to which, and manner in which, the applicant  
 7           demonstrates the ability to collaborate and par-  
 8           ticipate with other local community providers of  
 9           child care or preschool services to provide full-  
 10          working-day, full calendar year services”;

11          (D) in subparagraph (E), by striking “pro-  
 12          gram; and” and inserting “program or any  
 13          other early childhood program;”;

14          (E) in subparagraph (F), by striking the  
 15          period and inserting “; and”; and

16          (F) by adding at the end the following:

17          “(G) the extent to which the applicant proposes  
 18          to foster partnerships with other service providers in  
 19          a manner that will enhance the resource capacity of  
 20          the applicant.”; and

21          (2) by adding at the end the following:

22          “(4) Notwithstanding subsection (a)(2), after taking  
 23          into account the provisions of paragraph (1), the Secretary  
 24          may allocate a portion of the remaining additional funds  
 25          under subsection (a)(2)(A) for the purpose of increasing



1 *funds available for the activities described in such sub-*  
 2 *section.”.*

3 (d) *MIGRANT OR SEASONAL HEAD START PRO-*  
 4 *GRAMS.—Section 640(l) (42 U.S.C. 9835(l)) is amended—*

5 (1) *by striking “migrant Head Start programs”*  
 6 *each place it appears and inserting “migrant or sea-*  
 7 *sonal Head Start programs”; and*

8 (2) *by striking “migrant families” and inserting*  
 9 *“migrant or seasonal farmworker families”.*

10 (e) *CONFORMING AMENDMENT.—Section 644(f)(2) (42*  
 11 *U.S.C. 9839(f)(2)) is amended by striking*  
 12 *“640(a)(3)(C)(v)” and inserting “640(a)(3)(C)(vi)”.*

13 **SEC. 108. DESIGNATION OF HEAD START AGENCIES.**

14 *Section 641 (42 U.S.C. 9836) is amended—*

15 (1) *in subsection (a)—*

16 (A) *in the matter preceding paragraph (1),*  
 17 *by inserting “or for-profit” after “nonprofit”;*  
 18 *and*

19 (B) *in paragraph (2), by inserting “(in*  
 20 *consultation with the chief executive officer of the*  
 21 *State in which the community is located)” after*  
 22 *“the Secretary”;*

23 (2) *in subsection (c)—*

24 (A) *in paragraph (1)—*

1                   (i) by striking “shall give priority”  
 2                   and inserting “shall, in consultation with  
 3                   the chief executive officer of the State, give  
 4                   priority”;

5                   (ii) by inserting “or for-profit” after  
 6                   “nonprofit”; and

7                   (iii) by striking “unless the Secretary  
 8                   makes a finding” and all that follows and  
 9                   inserting the following: “unless the Sec-  
 10                  retary determines that the agency involved  
 11                  fails to meet program and financial man-  
 12                  agement requirements, performance stand-  
 13                  ards described in section 641A(a)(1), or  
 14                  other requirements established by the Sec-  
 15                  retary.”;

16                  (B) in paragraph (2), by striking “shall  
 17                  give priority” and inserting “shall, in consulta-  
 18                  tion with the chief executive officer of the State,  
 19                  give priority”; and

20                  (C) by aligning the margins of paragraphs  
 21                  (2) and (3) with the margins of paragraph (1);  
 22                  (3) in subsection (d)—

23                  (A) in the matter preceding paragraph (1),  
 24                  by inserting after the first sentence the following  
 25                  new sentence: “In selecting from among qualified

1        *applicants for designation as a Head Start*  
 2        *agency, the Secretary shall give priority to any*  
 3        *qualified agency that functioned as a delegate*  
 4        *agency in the community and carried out a*  
 5        *Head Start program that the Secretary deter-*  
 6        *mines has met or exceeded the performance*  
 7        *standards and outcome-based performance meas-*  
 8        *ures described in section 641A.”;*

9                *(B) in paragraph (4)(A), by inserting “(at*  
 10        *home and in the center involved where prac-*  
 11        *ticable)” after “activities”;*

12                *(C) by redesignating paragraphs (7) and*  
 13        *(8) as paragraphs (9) and (10), respectively; and*

14                *(D) by inserting after paragraph (6) the fol-*  
 15        *lowing:*

16                *“(7) the plan of such applicant to meet the needs*  
 17        *of non-English background children and their fami-*  
 18        *lies, including needs related to the acquisition of the*  
 19        *English language;*

20                *“(8) the plan of such applicant to meet the needs*  
 21        *of children with disabilities;”;*

22                *(4) by striking subsection (e) and inserting the*  
 23        *following:*

24                *“(e) If no agency in the community receives priority*  
 25        *designation under subsection (c), and there is no qualified*

1 *applicant in the community, the Secretary shall designate*  
 2 *a qualified agency to carry out the Head Start program*  
 3 *in the community on an interim basis until a qualified*  
 4 *applicant from the community is so designated.”; and*

5 *(5) by adding at the end the following:*

6 *“(g) If the Secretary determines that a nonprofit agen-*  
 7 *cy and a for-profit agency have submitted applications for*  
 8 *designation of equivalent quality under subsection (d), the*  
 9 *Secretary may give priority to the nonprofit agency.”.*

10 **SEC. 109. QUALITY STANDARDS.**

11 *(a) QUALITY STANDARDS.—Section 641A(a) (42*  
 12 *U.S.C. 9836a(a)) is amended—*

13 *(1) in paragraph (1)—*

14 *(A) in the matter preceding subparagraph*  
 15 *(A), by inserting “, including minimum levels of*  
 16 *overall accomplishment,” after “regulation*  
 17 *standards”;*

18 *(B) in subparagraph (A), by striking “edu-*  
 19 *cation,”;*

20 *(C) by redesignating subparagraphs (B)*  
 21 *through (D) as subparagraphs (C) through (E),*  
 22 *respectively; and*

23 *(D) by inserting after subparagraph (A) the*  
 24 *following:*

1           “(B)(i) education performance standards to  
 2           ensure the school readiness of children partici-  
 3           pating in a Head Start program, on completion  
 4           of the Head Start program and prior to entering  
 5           school; and

6           “(ii) additional education performance  
 7           standards to ensure that the children participat-  
 8           ing in the program, at a minimum—

9                   “(I) develop phonemic, print, and  
 10                  numeracy awareness;

11                  “(II) understand and use oral lan-  
 12                  guage to communicate needs, wants, and  
 13                  thoughts;

14                  “(III) understand and use increasingly  
 15                  complex and varied vocabulary;

16                  “(IV) develop and demonstrate an ap-  
 17                  preciation of books; and

18                  “(V) in the case of non-English back-  
 19                  ground children, progress toward acquisi-  
 20                  tion of the English language.”;

21           (2) by striking paragraph (2);

22           (3) by redesignating paragraphs (3) and (4) as  
 23           paragraphs (2) and (3), respectively;

24           (4) in paragraph (2) (as redesignated in para-  
 25           graph (3))—

1                   (A) in subparagraph (B)(iii), by striking  
2                   “child” and inserting “early childhood education  
3                   and”; and

4                   (B) in subparagraph (C)—

5                   (i) in clause (i)—

6                   (I) by striking “not later than 1  
7                   year after the date of enactment of this  
8                   section,”; and

9                   (II) by striking “section 651(b)”  
10                  and all that follows and inserting “this  
11                  subsection; and”; and

12                  (ii) in subclause (ii), by striking “No-  
13                  vember 2, 1978” and inserting “the date of  
14                  enactment of the Coats Human Services Re-  
15                  authorization Act of 1998”; and

16                  (5) in paragraph (3) (as redesignated in para-  
17                  graph (3)), by striking “to an agency (referred to in  
18                  this subchapter as the “delegate agency”)” and insert-  
19                  ing “to a delegate agency”.

20                  (b) *PERFORMANCE MEASURES*.—Section 641A(b) (42  
21                  U.S.C. 9836a(b)) is amended—

22                  (1) in the subsection heading, by inserting “OUT-  
23                  COME-BASED” before “PERFORMANCE”;

24                  (2) in paragraph (1)—

1           (A) by striking “Not later than 1 year after  
2           the date of enactment of this section, the” and  
3           inserting “The”;

4           (B) by striking “child” and inserting “early  
5           childhood education and”;

6           (C) by striking “(referred” and inserting “,  
7           and the impact of the services provided through  
8           the programs to children and their families (re-  
9           ferred”;

10          (D) by striking “performance measures”  
11          and inserting “outcome-based performance meas-  
12          ures”; and

13          (E) by adding at the end the following:  
14          “The performance measures shall include the  
15          performance standards described in subsection  
16          (a)(1)(B)(ii).”; and  
17          (3) in paragraph (2)—

18               (A) in the paragraph heading, by striking  
19               “DESIGN” and inserting “CHARACTERISTICS”;

20               (B) in the matter preceding subparagraph  
21               (A), by striking “shall be designed—” and in-  
22               serting “shall—”;

23               (C) in subparagraph (A), by striking “to  
24               assess” and inserting “be used to assess the im-  
25               pact of”;

1                   (D) in subparagraph (B)—

2                   (i) by striking “to”; and

3                   (ii) by striking “and peer review” and  
4                   inserting “, peer review, and program eval-  
5                   uation”; and

6                   (E) in subparagraph (C), by inserting “be  
7                   developed” before “for other”.

8           (c) *MONITORING.*—Section 641A(c)(2) (42 U.S.C.  
9 9836a(c)(2)) is amended—

10           (1) in subparagraph (B), by striking “; and”  
11           and inserting a semicolon;

12           (2) in subparagraph (C)—

13                   (A) by inserting “(including children with  
14                   disabilities)” after “eligible children”; and

15                   (B) by striking the period and inserting “;  
16                   and”; and

17           (3) by adding at the end the following:

18                   “(D) as part of the reviews of the programs,  
19                   include a review and assessment of program ef-  
20                   fectiveness, as measured in accordance with the  
21                   outcome-based performance measures developed  
22                   pursuant to subsection (b) and with the perform-  
23                   ance standards established pursuant to subpara-  
24                   graphs (A) and (B) of subsection (a)(1).”.



1       (d) *TERMINATION.*—Section 641A(d) (42 U.S.C.  
2 9836a(d)) is amended—

3           (1) in paragraph (1)(B), to read as follows:

4               “(B) with respect to each identified defi-  
5 ciency, require the agency—

6                   “(i) to correct the deficiency imme-  
7 diately, if the Secretary finds that the defi-  
8 ciency threatens the health or safety of staff  
9 or program participants or poses a threat  
10 to the integrity of Federal funds;

11                  “(ii) to correct the deficiency not later  
12 than 90 days after the identification of the  
13 deficiency if the Secretary finds, in the dis-  
14 cretion of the Secretary, that such a 90-day  
15 period is reasonable, in light of the nature  
16 and magnitude of the deficiency; or

17                  “(iii) in the discretion of the Secretary  
18 (taking into consideration the seriousness of  
19 the deficiency and the time reasonably re-  
20 quired to correct the deficiency), to comply  
21 with the requirements of paragraph (2) con-  
22 cerning a quality improvement plan; and”;  
23 and

24           (2) in paragraph (2)(A), in the matter preceding  
25 clause (i), by striking “able to correct a deficiency

1       *immediately” and inserting “required to correct a de-*  
 2       *ficiency immediately or during a 90-day period*  
 3       *under clause (i) or (ii) of paragraph (1)(B)”.*

4   **SEC. 110. POWERS AND FUNCTIONS OF HEAD START AGEN-**  
 5       **CIES.**

6       *Section 642 (42 U.S.C. 9837) is amended—*

7           *(1) in subsection (a), by inserting “or for-profit”*  
 8       *after “nonprofit”;*

9           *(2) in subsection (c)—*

10           *(A) by inserting “and collaborate” after*  
 11       *“coordinate”; and*

12           *(B) by striking “section 402(g) of the Social*  
 13       *Security Act, and other” and inserting “the*  
 14       *State program carried out under the Child Care*  
 15       *and Development Block Grant Act of 1990 (42*  
 16       *U.S.C. 9858 et seq.), and other early childhood*  
 17       *education and development”; and*

18           *(3) in subsection (d)—*

19           *(A) in paragraph (1)—*

20           *(i) by striking “shall carry out” and*  
 21       *all that follows through “maintain” and in-*  
 22       *serting “shall take steps to ensure, to the*  
 23       *maximum extent possible, that children*  
 24       *maintain”;*

1                   (ii) by striking “developmental” and  
 2                   inserting “developmental and educational”;  
 3                   and  
 4                   (iii) by striking “to build” and insert-  
 5                   ing “build”;  
 6                   (B) by striking paragraph (2);  
 7                   (C) by redesignating paragraphs (3)  
 8                   through (5) as paragraphs (2) through (4), re-  
 9                   spectively; and  
 10                  (D) in subparagraph (A) of paragraph (4)  
 11                   (as redesignated in subparagraph (C)), by strik-  
 12                   ing “the Head Start Transition Project Act (42  
 13                   U.S.C. 9855 et seq.)” and inserting “section  
 14                   642A”.

15 **SEC. 111. HEAD START TRANSITION.**

16           *The Head Start Act (42 U.S.C. 9831 et seq.) is amend-*  
 17 *ed by inserting after section 642 the following:*

18 **“SEC. 642A. HEAD START TRANSITION.**

19           *“Each Head Start agency shall take steps to coordi-*  
 20 *nate with the local educational agency serving the commu-*  
 21 *nity involved and with schools in which children partici-*  
 22 *pating in a Head Start program operated by such agency*  
 23 *will enroll following such program, including—*

24                   *“(1) developing and implementing a systematic*  
 25 *procedure for transferring, with parental consent,*

1     *Head Start program records for each participating*  
 2     *child to the school in which such child will enroll;*

3             *“(2) establishing channels of communication be-*  
 4     *tween Head Start staff and their counterparts in the*  
 5     *schools (including teachers, social workers, and health*  
 6     *staff) to facilitate coordination of programs;*

7             *“(3) conducting meetings involving parents, kin-*  
 8     *dergarten or elementary school teachers, and Head*  
 9     *Start program teachers to discuss the developmental*  
 10    *and other needs of individual children;*

11            *“(4) organizing and participating in joint tran-*  
 12    *sition-related training of school staff and Head Start*  
 13    *staff;*

14            *“(5) developing and implementing a family out-*  
 15    *reach and support program in cooperation with enti-*  
 16    *ties carrying out parental involvement efforts under*  
 17    *title I of the Elementary and Secondary Education*  
 18    *Act of 1965 (20 U.S.C. 6301 et seq.); and*

19            *“(6) assisting families, administrators, and*  
 20    *teachers in enhancing continuity in child development*  
 21    *between Head Start services and elementary school*  
 22    *classes.”.*

23    **SEC. 112. SUBMISSION OF PLANS TO GOVERNORS.**

24        *The first sentence of section 643 (42 U.S.C. 9838) is*  
 25    *amended—*

1           (1) by striking “within 30 days” and inserting  
2           “within 45 days”; and

3           (2) by striking “so disapproved” and inserting  
4           “disapproved (for reasons other than failure of the  
5           program to comply with State health, safety, and  
6           child care laws, including regulations, applicable to  
7           comparable child care programs within the State)”.

8   **SEC. 113. PARTICIPATION IN HEAD START PROGRAMS.**

9           (a) *REGULATIONS*.—Section 645(a)(1) (42 U.S.C.  
10 9840(a)(1)) is amended—

11           (1) in subparagraph (B), by striking “that pro-  
12           grams” and inserting “that (i) programs”; and

13           (2) by striking the period at the end of subpara-  
14           graph (B) and inserting the following: “, and (ii) a  
15           child who has been determined to meet the low-income  
16           criteria and who is participating in a Head Start  
17           program in a program year shall be considered to  
18           continue to meet the low-income criteria through the  
19           end of the succeeding program year. In determining,  
20           for purposes of this paragraph, whether a child who  
21           has applied for enrollment in a Head Start program  
22           meets the low-income criteria, an entity may consider  
23           evidence of family income during the 12 months pre-  
24           ceding the month in which the application is submit-  
25           ted, or during the calendar year preceding the cal-

1        *endar year in which the application is submitted,*  
 2        *whichever more accurately reflects the needs of the*  
 3        *family at the time of application.”.*

4        *(b) SLIDING FEE SCALE.—Section 645(b) (42 U.S.C.*  
 5        *9840(b)) is amended by adding at the end the following:*  
 6        *“A Head Start agency that provides a Head Start program*  
 7        *with full-working-day services in collaboration with other*  
 8        *agencies or entities may collect a family copayment to sup-*  
 9        *port extended day services if a copayment is required in*  
 10        *conjunction with the collaborative. The copayment charged*  
 11        *to families receiving services through the Head Start pro-*  
 12        *gram shall not exceed the copayment charged to families*  
 13        *with similar incomes and circumstances who are receiving*  
 14        *the services through participation in a program carried out*  
 15        *by another agency or entity.”.*

16        *(c) CONTINUOUS RECRUITMENT AND ACCEPTANCE OF*  
 17        *APPLICATIONS.—Section 645(c) (42 U.S.C. 9840(c)) is*  
 18        *amended by adding at the end the following: “Each Head*  
 19        *Start program operated in a community shall be permitted*  
 20        *to recruit and accept applications for enrollment of children*  
 21        *throughout the year.”.*

22        **SEC. 114. EARLY HEAD START PROGRAMS FOR FAMILIES**  
 23        **WITH INFANTS AND TODDLERS.**

24        *Section 645A (42 U.S.C. 9840a) is amended—*

1           (1) *in the section heading, by inserting “**EARLY***  
 2           ***HEAD START**” before “**PROGRAMS FOR**”;*

3           (2) *in subsection (a)—*

4                 (A) *by striking “for—” and all that follows*  
 5                 *through “programs providing” and inserting*  
 6                 *“for programs providing”;*

7                 (B) *by striking “; and” and inserting a pe-*  
 8                 *riod; and*

9                 (C) *by striking paragraph (2);*

10           (3) *in subsection (b)(5), by inserting “(including*  
 11           *programs for infants and toddlers with disabilities)”*  
 12           *after “community”;*

13           (4) *in subsection (c)—*

14                 (A) *in the matter preceding paragraph (1),*  
 15                 *by striking “subsection (a)(1)” and inserting*  
 16                 *“subsection (a)”;* and

17                 (B) *in paragraph (2), by striking “3 (or*  
 18                 *under” and all that follows and inserting “3;”;*

19           (5) *in subsection (d)—*

20                 (A) *by striking paragraph (2); and*

21                 (B) *by redesignating paragraph (3) as*  
 22                 *paragraph (2);*

23           (6) *by striking subsection (e);*

24           (7) *by redesignating subsections (f) and (g) as*  
 25           *subsections (e) and (f), respectively;*

1           (8) *in subsection (e) (as redesignated in para-*  
2       *graph (7))—*

3           (A) *in the subsection heading, by striking*  
4       *“OTHER”; and*

5           (B) *by striking “From the balance remain-*  
6       *ing of the portion specified in section 640(a)(6),*  
7       *after making grants to the eligible entities speci-*  
8       *fied in subsection (e),” and inserting “From the*  
9       *portion specified in section 640(a)(6),”; and*  
10       (9) *by striking subsection (h) and inserting the*  
11       *following:*

12       “(g) *MONITORING, TRAINING, TECHNICAL ASSIST-*  
13       *ANCE, AND EVALUATION.—In order to ensure the successful*  
14       *operation of programs assisted under this section, the Sec-*  
15       *retary shall use funds from the portion specified in section*  
16       *640(a)(6) to monitor the operation of such programs, evalu-*  
17       *ate their effectiveness, and provide training and technical*  
18       *assistance tailored to the particular needs of such programs.*

19       “(h) *TRAINING AND TECHNICAL ASSISTANCE AC-*  
20       *COUNT.—*

21           “(1) *IN GENERAL.—Of the amount made avail-*  
22       *able to carry out this section for any fiscal year, not*  
23       *less than 5 percent and not more than 10 percent*  
24       *shall be reserved to fund a training and technical as-*  
25       *sistance account.*



1           “(2) *ACTIVITIES.—Funds in the account may be*  
2           *used by the Secretary for purposes including—*

3                   “(A) *making grants to, and entering into*  
4                   *contracts with, organizations with specialized ex-*  
5                   *pertise relating to infants, toddlers, and families*  
6                   *and the capacity needed to provide direction and*  
7                   *support to a national training and technical as-*  
8                   *sistance system, in order to provide such direc-*  
9                   *tion and support;*

10                   “(B) *providing ongoing training and tech-*  
11                   *nical assistance for regional and program staff*  
12                   *charged with monitoring and overseeing the ad-*  
13                   *ministration of the program carried out under*  
14                   *this section;*

15                   “(C) *providing ongoing training and tech-*  
16                   *nical assistance for recipients of grants under*  
17                   *subsection (a) and support and program plan-*  
18                   *ning and implementation assistance for new re-*  
19                   *cipients of such grants; and*

20                   “(D) *providing professional development*  
21                   *and personnel enhancement activities, including*  
22                   *the provision of funds to recipients of grants*  
23                   *under subsection (a) for the recruitment and re-*  
24                   *tention of qualified staff with an appropriate*  
25                   *level of education and experience.”.*

1 **SEC. 115. TECHNICAL ASSISTANCE AND TRAINING.**

2 (a) *FULL-WORKING-DAY, FULL CALENDAR YEAR*  
 3 *SERVICES.*—Section 648(b) (42 U.S.C. 9843(b)) is amend-  
 4 *ed—*

5 (1) *in paragraph (1), by striking “; and” and*  
 6 *inserting a semicolon;*

7 (2) *in paragraph (2), by striking the period and*  
 8 *inserting “; and”; and*

9 (3) *by adding at the end the following:*

10 “(3) *ensure the provision of technical assistance*  
 11 *to assist Head Start agencies, entities carrying out*  
 12 *other child care and early childhood programs, com-*  
 13 *munities, and States in collaborative efforts to pro-*  
 14 *vide quality full-working-day, full calendar year serv-*  
 15 *ices, including technical assistance related to identify-*  
 16 *ing and assisting in resolving barriers to collabora-*  
 17 *tion.”.*

18 (b) *ALLOCATING RESOURCES.*—Section 648(c) (42  
 19 U.S.C. 9843(c)) is amended—

20 (1) *in paragraph (4)—*

21 (A) *by striking “developing” and inserting*  
 22 *“developing and implementing”; and*

23 (B) *by striking “a longer day;” and insert-*  
 24 *ing the following: “the day, and assist the agen-*  
 25 *cies and programs in expediting the sharing of*  
 26 *information about innovative models for provid-*

1            *ing full-working-day, full calendar year services*  
 2            *for children;”;*

3            *(2) in paragraph (7), by striking “; and” and*  
 4            *inserting a semicolon;*

5            *(3) in paragraph (8), by striking the period and*  
 6            *inserting “; and”; and*

7            *(4) by adding at the end the following:*

8            *“(9) assist Head Start agencies in—*

9                    *“(A) ensuring the school readiness of chil-*  
 10                   *dren; and*

11                   *“(B) meeting the education performance*  
 12                   *standards described in this subchapter.”.*

13            *(c) SERVICES.—Section 648(e) (42 U.S.C. 9843(e)) is*  
 14            *amended by inserting “(including services to promote the*  
 15            *acquisition of the English language)” after “non-English*  
 16            *language background children”.*

17    **SEC. 116. STAFF QUALIFICATIONS AND DEVELOPMENT.**

18            *Section 648A(a) (42 U.S.C. 9843a(a)) is amended—*

19            *(1) in paragraph (1)—*

20                   *(A) by redesignating subparagraphs (B)*  
 21                   *through (D) as clauses (ii) through (iv), respec-*  
 22                   *tively;*

23                   *(B) by striking “(A)” and inserting*  
 24                   *“(B)(i); and*

1           (C) by inserting before subparagraph (B)  
 2           (as redesignated in subparagraph (B) of this  
 3           paragraph) the following:

4           “(A) demonstrated competency to perform  
 5           functions that include—

6                   “(i) planning and implementing learn-  
 7                   ing experiences that advance the intellectual  
 8                   and physical development of children, in-  
 9                   cluding improving the readiness of children  
 10                  for school by developing their literacy and  
 11                  phonemic, print, and numeracy awareness,  
 12                  their understanding and use of oral lan-  
 13                  guage, their understanding and use of in-  
 14                  creasingly complex and varied vocabulary,  
 15                  their appreciation of books, and their prob-  
 16                  lem solving abilities;

17                   “(ii) establishing and maintaining a  
 18                  safe, healthy learning environment;

19                   “(iii) supporting the social and emo-  
 20                  tional development of children; and

21                   “(iv) encouraging the involvement of  
 22                  the families of the children in a Head Start  
 23                  program and supporting the development of  
 24                  relationships between children and their  
 25                  families; and”;

1           (2) *by striking paragraph (2) and inserting the*  
 2     *following:*

3           “(2) *WAIVER.—On request, the Secretary shall*  
 4     *grant a 180-day waiver of the requirements of para-*  
 5     *graph (1)(B), for a Head Start agency that can dem-*  
 6     *onstrate that the agency has unsuccessfully attempted*  
 7     *to recruit an individual who has a credential, certifi-*  
 8     *cate, or degree described in paragraph (1)(B), with*  
 9     *respect to an individual who—*

10           *“(A) is enrolled in a program that grants*  
 11     *any such credential, certificate, or degree; and*

12           *“(B) will receive such credential, certificate,*  
 13     *or degree under the terms of such program not*  
 14     *later than 180 days after beginning employment*  
 15     *as a teacher with such agency.”.*

16 **SEC. 117. RESEARCH, DEMONSTRATION, AND EVALUATION.**

17     (a) *COMPARATIVE STUDIES.—Section 649(d) (42*  
 18     *U.S.C. 9844(d)) is amended—*

19           (1) *in paragraph (6), by striking “; and” and*  
 20     *inserting a semicolon;*

21           (2) *in paragraph (7), by striking the period and*  
 22     *inserting “; and”; and*

23           (3) *by adding at the end the following:*

24           *“(8) study the experiences of small, medium, and*  
 25     *large States with Head Start programs in order to*

1        *permit comparisons of children participating in the*  
 2        *programs with eligible children who did not partici-*  
 3        *pate in the programs, which study—*

4                *“(A) may include the use of a data set that*  
 5                *existed prior to the initiation of the study; and*

6                *“(B) shall compare the educational achieve-*  
 7                *ment, social adaptation, and health status of the*  
 8                *participating children and the eligible non-*  
 9                *participating children.*

10    *The Secretary shall ensure that an appropriate entity car-*  
 11    *ries out a study described in paragraph (8), and prepares*  
 12    *and submits to the appropriate committees of Congress a*  
 13    *report containing the results of the study, not later than*  
 14    *September 30, 2002.”.*

15        *(b) NATIONAL RESEARCH.—Section 649 (42 U.S.C.*  
 16    *9844) is amended by adding at the end the following:*

17        *“(g) NATIONAL HEAD START IMPACT RESEARCH.—*

18                *“(1) EXPERT PANEL.—*

19                *“(A) IN GENERAL.—The Secretary shall ap-*  
 20                *point an independent panel consisting of experts*  
 21                *in program evaluation and research, education,*  
 22                *and early childhood programs—*

23                *“(i) to review, and make recommenda-*  
 24                *tions on, the design and plan for the re-*  
 25                *search (whether conducted as a single as-*

1           *assessment or as a series of assessments), de-*  
 2           *scribed in paragraph (2), within 1 year*  
 3           *after the date of enactment of the Coats*  
 4           *Human Services Reauthorization Act of*  
 5           *1998;*

6           “(ii) *to maintain and advise the Sec-*  
 7           *retary regarding the progress of the re-*  
 8           *search; and*

9           “(iii) *to comment, if the panel so de-*  
 10          *sires, on the interim and final research re-*  
 11          *ports submitted under paragraph (7).*

12          “(B) *TRAVEL EXPENSES.—The members of*  
 13          *the panel shall not receive compensation for the*  
 14          *performance of services for the panel, but shall be*  
 15          *allowed travel expenses, including per diem in*  
 16          *lieu of subsistence, at rates authorized for em-*  
 17          *ployees of agencies under subchapter I of chapter*  
 18          *57 of title 5, United States Code, while away*  
 19          *from their homes or regular places of business in*  
 20          *the performance of services for the panel. Not-*  
 21          *withstanding section 1342 of title 31, United*  
 22          *States Code, the Secretary may accept the vol-*  
 23          *untary and uncompensated services of members*  
 24          *of the panel.*

1           “(2) *GENERAL AUTHORITY.*—*After reviewing the*  
 2           *recommendations of the expert panel, the Secretary*  
 3           *shall enter into a grant, contract, or cooperative*  
 4           *agreement with an organization to conduct independ-*  
 5           *ent research that provides a national analysis of the*  
 6           *impact of Head Start programs. The Secretary shall*  
 7           *ensure that the organization shall have expertise in*  
 8           *program evaluation, and research, education, and*  
 9           *early childhood programs.*

10           “(3) *DESIGNS AND TECHNIQUES.*—*The Secretary*  
 11           *shall ensure that the research uses rigorous meth-*  
 12           *odological designs and techniques (based on the rec-*  
 13           *ommendations of the expert panel), including longitu-*  
 14           *dinal designs, control groups, nationally recognized*  
 15           *standardized measures, and random selection and as-*  
 16           *signment, as appropriate. The Secretary may provide*  
 17           *that the research shall be conducted as a single com-*  
 18           *prehensive assessment or as a group of coordinated*  
 19           *assessments designed to provide, when taken together,*  
 20           *a national analysis of the impact of Head Start pro-*  
 21           *grams.*

22           “(4) *PROGRAMS.*—*The Secretary shall ensure*  
 23           *that the research focuses primarily on Head Start*  
 24           *programs that operate in the 50 States, the Common-*  
 25           *wealth of Puerto Rico, or the District of Columbia*



1       *and that do not specifically target special popu-*  
2       *lations.*

3               “(5) *ANALYSIS.—The Secretary shall ensure that*  
4       *the organization conducting the research—*

5                       “(A)(i) *determines if, overall, the Head*  
6       *Start programs have impacts consistent with*  
7       *their primary goal of increasing the social com-*  
8       *petence of children, by increasing the everyday*  
9       *effectiveness of the children in dealing with their*  
10       *present environments and future responsibilities,*  
11       *and increasing their school readiness;*

12                      “(ii) *considers whether the Head Start pro-*  
13       *grams—*

14                               “(I) *enhance the growth and develop-*  
15       *ment of children in cognitive, emotional,*  
16       *and physical health areas;*

17                               “(II) *strengthen families as the pri-*  
18       *mary nurturers of their children; and*

19                               “(III) *ensure that children attain*  
20       *school readiness; and*

21                               “(iii) *examines—*

22                                       “(I) *the impact of the Head Start pro-*  
23       *grams on increasing access of children to*  
24       *such services as educational, health, and nu-*

1                    *tritional services, and linking children and*  
 2                    *families to needed community services; and*

3                    *“(II) how receipt of services described*  
 4                    *in subclause (I) enriches the lives of chil-*  
 5                    *dren and families participating in Head*  
 6                    *Start programs;*

7                    *“(B) examines the impact of Head Start*  
 8                    *programs on participants on the date the par-*  
 9                    *ticipants leave Head Start programs, at the end*  
 10                    *of kindergarten (in public or private school), and*  
 11                    *at the end of first grade (in public or private*  
 12                    *school), by examining a variety of factors, in-*  
 13                    *cluding educational achievement, referrals for*  
 14                    *special education or remedial course work, and*  
 15                    *absenteeism;*

16                    *“(C) makes use of random selection from the*  
 17                    *population of all Head Start programs described*  
 18                    *in paragraph (4) in selecting programs for in-*  
 19                    *clusion in the research; and*

20                    *“(D) includes comparisons of individuals*  
 21                    *who participate in Head Start programs with*  
 22                    *control groups (including comparison groups)*  
 23                    *composed of—*

24                    *“(i) individuals who participate in*  
 25                    *other public or private early childhood pro-*

1                   grams (such as public or private preschool  
2                   programs and day care); and

3                   “(ii) individuals who do not partici-  
4                   pate in any other early childhood program.

5                   “(6) CONSIDERATION OF SOURCES OF VARI-  
6                   ATION.—In designing the research, the Secretary  
7                   shall, to the extent practicable, consider addressing  
8                   possible sources of variation in impact of Head Start  
9                   programs, including variations in impact related to  
10                  such factors as—

11                  “(A) Head Start program operations;

12                  “(B) Head Start program quality;

13                  “(C) the length of time a child attends a  
14                  Head Start program;

15                  “(D) the age of the child on entering the  
16                  Head Start program;

17                  “(E) the type of organization (such as a  
18                  local educational agency or a community action  
19                  agency) providing services for the Head Start  
20                  program;

21                  “(F) the number of hours and days of pro-  
22                  gram operation of the Head Start program (such  
23                  as whether the program is a full-working-day,  
24                  full calendar year program, a part-day program,  
25                  or a part-year program); and

“(G) *other characteristics and features of the Head Start program (such as geographic location, location in an urban or a rural service area, or participant characteristics), as appropriate.*

“(7) *REPORTS.—*

“(A) *SUBMISSION OF INTERIM REPORTS.—*  
*The organization shall prepare and submit to the Secretary two interim reports on the research. The first interim report shall describe the design of the research, and the rationale for the design, including a description of how potential sources of variation in impact of Head Start programs have been considered in designing the research. The second interim report shall describe the status of the research and preliminary findings of the research, as appropriate.*

“(B) *SUBMISSION OF FINAL REPORT.—**The organization shall prepare and submit to the Secretary a final report containing the findings of the research.*

“(C) *TRANSMITTAL OF REPORTS TO CONGRESS.—*

“(i) *IN GENERAL.—**The Secretary shall transmit, to the committees described in*

1           *clause (ii), the first interim report by Sep-*  
 2           *tember 30, 1999, the second interim report*  
 3           *by September 30, 2001, and the final report*  
 4           *by September 30, 2003.*

5           “(ii) *COMMITTEES.*—*The committees*  
 6           *referred to in clause (i) are the Committee*  
 7           *on Education and the Workforce of the*  
 8           *House of Representatives and the Committee*  
 9           *on Labor and Human Resources of the Sen-*  
 10           *ate.*

11           “(8) *DEFINITION.*—*In this subsection, the term*  
 12           *‘impact’, used with respect to a Head Start program,*  
 13           *means a difference in an outcome for a participant*  
 14           *in the program that would not have occurred without*  
 15           *the participation in the program.*

16           “(h) *QUALITY IMPROVEMENT STUDY.*—

17           “(1) *STUDY.*—*The Secretary shall conduct a*  
 18           *study regarding the use and effects of use of the qual-*  
 19           *ity improvement funds made available under section*  
 20           *640(a)(3) of the Head Start Act (42 U.S.C.*  
 21           *9835(a)(3)) since fiscal year 1991.*

22           “(2) *REPORT.*—*The Secretary shall prepare and*  
 23           *submit to Congress not later than September 2000 a*  
 24           *report containing the results of the study, including—*

1           “(A) the types of activities funded with the  
2           quality improvement funds;

3           “(B) the extent to which the use of the qual-  
4           ity improvement funds has accomplished the  
5           goals of section 640(a)(3)(B);

6           “(C) the effect of use of the quality improve-  
7           ment funds on teacher training, salaries, bene-  
8           fits, recruitment, and retention; and

9           “(D) the effect of use of the quality improve-  
10          ment funds on the cognitive and social develop-  
11          ment of children receiving services under this  
12          subchapter.”.

13 **SEC. 118. REPEAL.**

14       *The Head Start Transition Project Act (42 U.S.C.*  
15 *9855 et seq.) is repealed.*

16 **TITLE II—COMMUNITY SERVICES**  
17 **BLOCK GRANT PROGRAM**

18 **SEC. 201. REAUTHORIZATION.**

19       *The Community Services Block Grant Act (42 U.S.C.*  
20 *9901 et seq.) is amended to read as follows:*

21 **“Subtitle B—Community Services**  
22 **Block Grant Program**

23 **“SEC. 671. SHORT TITLE.**

24       *“This subtitle may be cited as the ‘Community Serv-*  
25 *ices Block Grant Act’.*

1 **“SEC. 672. PURPOSES AND GOALS.**

2       *“The purposes of this subtitle are—*

3               *“(1) to provide financial assistance to States*  
4       *and local communities, working through a network of*  
5       *community action agencies and other neighborhood-*  
6       *based organizations, for the reduction of poverty, the*  
7       *revitalization of low-income communities, and the*  
8       *empowerment of low-income families and individuals*  
9       *in rural and urban areas to become fully self-suffi-*  
10       *cient (particularly families who are attempting to*  
11       *transition off a State program carried out under part*  
12       *A of title IV of the Social Security Act (42 U.S.C.*  
13       *601 et seq.)); and*

14               *“(2) to accomplish the goals described in para-*  
15       *graph (1) through—*

16               *“(A) the strengthening of community capa-*  
17       *bilities for planning and coordinating the use of*  
18       *a broad range of Federal, State, and other assist-*  
19       *ance related to the elimination of poverty, so*  
20       *that this assistance can be used in a manner re-*  
21       *sponsive to local needs and conditions;*

22               *“(B) the organization of a range of services*  
23       *related to the needs of low-income families and*  
24       *individuals, so that these services may have a*  
25       *measurable and potentially major impact on the*  
26       *causes of poverty in the community and may*

1       *help the families and individuals to achieve self-*  
 2       *sufficiency;*

3               “(C) *the use of innovative and effective com-*  
 4       *munity-based approaches to attacking the causes*  
 5       *and effects of poverty and of community break-*  
 6       *down;*

7               “(D) *the development and implementation*  
 8       *of all programs designated to serve low-income*  
 9       *communities and groups with the maximum fea-*  
 10       *sible participation of residents of the commu-*  
 11       *nities and members of the groups served, so as to*  
 12       *best stimulate and take full advantage of capa-*  
 13       *bilities for self-advancement and assure that the*  
 14       *programs are otherwise meaningful to the in-*  
 15       *tended beneficiaries of the programs; and*

16               “(E) *the broadening of the resource base of*  
 17       *programs directed to the elimination of poverty.*

18   **“SEC. 673. DEFINITIONS.**

19       *“In this subtitle:*

20               “(1) *ELIGIBLE ENTITY.—The term ‘eligible en-*  
 21       *tity’ means an entity—*

22               “(A) *that is an eligible entity described in*  
 23       *section 673(1) (as in effect on the day before the*  
 24       *date of enactment of the Coats Human Services*  
 25       *Reauthorization Act of 1998) as of the day before*



1        *such date of enactment or is designated by the*  
2        *process described in section 676A (including an*  
3        *organization serving migrant or seasonal farm-*  
4        *workers that is so described or designated); and*

5                *“(B) that has a tripartite board or other*  
6        *mechanism described in subsection (a) or (b), as*  
7        *appropriate, of section 676B.*

8                *“(2) POVERTY LINE.—The term ‘poverty line’*  
9        *means the official poverty line defined by the Office*  
10       *of Management and Budget based on Bureau of the*  
11       *Census data. The Secretary shall revise annually (or*  
12       *at any shorter interval the Secretary determines to be*  
13       *feasible and desirable) the poverty line, which shall be*  
14       *used as a criterion of eligibility in the community*  
15       *services block grant program established under this*  
16       *subtitle. The required revision shall be accomplished*  
17       *by multiplying the official poverty line by the per-*  
18       *centage change in the Consumer Price Index for All*  
19       *Urban Consumers during the annual or other interval*  
20       *immediately preceding the time at which the revision*  
21       *is made. Whenever a State determines that it serves*  
22       *the objectives of the block grant program established*  
23       *under this subtitle, the State may revise the poverty*  
24       *line to not to exceed 125 percent of the official poverty*  
25       *line otherwise applicable under this paragraph.*

1           “(3) *PRIVATE, NONPROFIT ORGANIZATION.*—The  
 2           *term ‘private, nonprofit organization’ includes a*  
 3           *faith-based organization, to which the provisions of*  
 4           *section 679 shall apply.*

5           “(4) *SECRETARY.*—The term ‘Secretary’ means  
 6           *the Secretary of Health and Human Services.*

7           “(5) *STATE.*—The term ‘State’ means each of the  
 8           *several States, the District of Columbia, the Common-*  
 9           *wealth of Puerto Rico, Guam, the United States Vir-*  
 10          *gin Islands, American Samoa, the Commonwealth of*  
 11          *the Northern Mariana Islands, and the combined*  
 12          *Freely Associated States.*

13   **“SEC. 674. AUTHORIZATION OF APPROPRIATIONS.**

14          “(a) *IN GENERAL.*—There are authorized to be appro-  
 15          *priated \$625,000,000 for fiscal year 1999 and such sums*  
 16          *as may be necessary for each of fiscal years 2000 through*  
 17          *2003 to carry out the provisions of this subtitle (other than*  
 18          *sections 681 and 682).*

19          “(b) *RESERVATIONS.*—Of the amounts appropriated  
 20          *under subsection (a) for each fiscal year, the Secretary shall*  
 21          *reserve—*

22               “(1) *1/2 of 1 percent for carrying out section*  
 23               *675A (relating to payments for territories);*

24               “(2) *not less than 1/2 of 1 percent and not more*  
 25               *than 1 percent for activities authorized in section*

1       678A (relating to training and technical assistance);  
 2       and

3               “(3) 9 percent for carrying out section 680 (re-  
 4       lating to discretionary activities).

5       **“SEC. 675. ESTABLISHMENT OF BLOCK GRANT PROGRAM.**

6               *“The Secretary is authorized to establish a community*  
 7 *services block grant program and make grants through the*  
 8 *program to States to ameliorate the causes of poverty in*  
 9 *communities within the States.*

10       **“SEC. 675A. DISTRIBUTION TO TERRITORIES.**

11               *“(a) APPORTIONMENT.—The Secretary shall apportion*  
 12 *the amount reserved under section 674(b)(1) for each fiscal*  
 13 *year on the basis of need among Guam, American Samoa,*  
 14 *the United States Virgin Islands, the Commonwealth of the*  
 15 *Northern Mariana Islands, and the combined Freely Associ-*  
 16 *ated States.*

17               *“(b) APPLICATION.—Each jurisdiction to which sub-*  
 18 *section (a) applies may receive a grant under this subtitle*  
 19 *for the amount apportioned under subsection (a) on submit-*  
 20 *ting to the Secretary, and obtaining approval of, an appli-*  
 21 *cation, containing provisions that describe the programs for*  
 22 *which assistance is sought under this subtitle, that is pre-*  
 23 *pared in accordance with, and contains the information de-*  
 24 *scribed in, section 676.*

1   **“SEC. 675B. ALLOTMENTS AND PAYMENTS TO STATES.**

2           “(a) *ALLOTMENTS IN GENERAL.*—*The Secretary shall,*  
3 *from the amount appropriated under section 674(a) for*  
4 *each fiscal year that remains after the Secretary makes the*  
5 *reservations required in section 674(b), allot to each State*  
6 *(subject to section 677) an amount that bears the same ratio*  
7 *to such remaining amount as the amount received by the*  
8 *State for fiscal year 1981 under section 221 of the Economic*  
9 *Opportunity Act of 1964 bore to the total amount received*  
10 *by all States for fiscal year 1981 under such section, except*  
11 *that no State shall receive less than  $\frac{1}{4}$  of 1 percent of the*  
12 *amount appropriated under section 674(a) for such fiscal*  
13 *year.*

14           “(b) *ALLOTMENTS IN YEARS WITH GREATER AVAIL-*  
15 *ABLE FUNDS.*—

16                 “(1) *MINIMUM ALLOTMENTS.*—*Subject to para-*  
17 *graphs (2) and (3), if the amount appropriated under*  
18 *section 674(a) for a fiscal year that remains after the*  
19 *Secretary makes the reservations required in section*  
20 *674(b) exceeds \$345,000,000, the Secretary shall allot*  
21 *to each State not less than  $\frac{1}{2}$  of 1 percent of the*  
22 *amount appropriated under section 674(a) for such*  
23 *fiscal year.*

24                 “(2) *MAINTENANCE OF FISCAL YEAR 1990 LEV-*  
25 *ELS.*—*Paragraph (1) shall not apply with respect to*  
26 *a fiscal year if the amount allotted under subsection*

1       (a) to any State for that year is less than the amount  
 2       allotted under section 674(a)(1) (as in effect on Sep-  
 3       tember 30, 1989) to such State for fiscal year 1990.

4               “(3) *MAXIMUM ALLOTMENTS.*—The amount al-  
 5       lotted under paragraph (1) to a State for a fiscal  
 6       year shall be reduced, if necessary, so that the aggre-  
 7       gate amount allotted to such State under such para-  
 8       graph and subsection (a) does not exceed 140 percent  
 9       of the aggregate amount allotted to such State under  
 10      the corresponding provisions of this subtitle for the  
 11      preceding fiscal year.

12           “(c) *PAYMENTS.*—The Secretary shall make grants to  
 13      eligible States for the allotments described in subsections (a)  
 14      and (b). The Secretary shall make payments for the grants  
 15      in accordance with section 6503(a) of title 31, United States  
 16      Code.

17           “(d) *DEFINITION.*—For purposes of this section, the  
 18      term ‘State’ does not include Guam, American Samoa, the  
 19      United States Virgin Islands, the Commonwealth of the  
 20      Northern Mariana Islands, and the Freely Associated  
 21      States.

22      **“SEC. 675C. USES OF FUNDS.**

23           “(a) *GRANTS TO ELIGIBLE ENTITIES AND OTHER OR-*  
 24      *GANIZATIONS.*—

1           “(1) *IN GENERAL.*—Not less than 90 percent of  
 2           the funds made available to a State under section  
 3           675A or 675B shall be used by the State to make  
 4           grants for the purposes described in section 672 to eli-  
 5           gible entities.

6           “(2) *OBLIGATIONAL AUTHORITY.*—Funds distrib-  
 7           uted to eligible entities through grants made in ac-  
 8           cordance with paragraph (1) for a fiscal year shall be  
 9           available for obligation during that fiscal year and  
 10          the succeeding fiscal year, in accordance with para-  
 11          graph (3).

12          “(3) *RECAPTURE AND REDISTRIBUTION OF UN-*  
 13          *OBLIGATED FUNDS.*—

14               “(A) *AMOUNT.*—Beginning on October 1,  
 15               2000, a State may recapture and redistribute  
 16               funds distributed to an eligible entity through a  
 17               grant made under paragraph (1) that are unobli-  
 18               gated at the end of a fiscal year if such unobli-  
 19               gated funds exceed 20 percent of the amount so  
 20               distributed to such eligible entity for such fiscal  
 21               year.

22               “(B) *REDISTRIBUTION.*—In redistributing  
 23               funds recaptured in accordance with this para-  
 24               graph, States shall redistribute such funds to an  
 25               eligible entity, or require the original recipient of

1        *the funds to redistribute the funds to a private,*  
 2        *nonprofit organization, located within the com-*  
 3        *munity served by the original recipient of the*  
 4        *funds, for activities consistent with the purposes*  
 5        *of this subtitle.*

6        “(b) *OTHER ACTIVITIES.*—

7            “(1) *USE OF REMAINDER.*—If a State uses less  
 8        *than 100 percent of payments from a grant under sec-*  
 9        *tion 675A, or the State allotment under section 675B,*  
 10       *to make grants under subsection (a), the State shall*  
 11       *use the remainder of such payments (subject to para-*  
 12       *graph (2)) for—*

13            “(A) *providing training and technical as-*  
 14        *sistance to those entities in need of such training*  
 15        *and assistance;*

16            “(B) *coordinating State-operated programs*  
 17        *and services targeted to low-income children and*  
 18        *families with services provided by eligible enti-*  
 19        *ties and other organizations funded under this*  
 20        *subtitle, including detailing appropriate employ-*  
 21        *ees of State or local agencies to entities funded*  
 22        *under this subtitle, to ensure increased access to*  
 23        *services provided by such State or local agencies;*

24            “(C) *supporting statewide coordination and*  
 25        *communication among eligible entities;*

1           “(D) analyzing the distribution of funds  
 2           made available under this subtitle within the  
 3           State to determine if such funds have been tar-  
 4           geted to the areas of greatest need;

5           “(E) supporting asset-building programs for  
 6           low-income individuals, such as programs sup-  
 7           porting individual development accounts;

8           “(F) supporting innovative programs and  
 9           activities conducted by community action agen-  
 10          cies or other neighborhood-based organizations to  
 11          eliminate poverty, promote self-sufficiency, and  
 12          promote community revitalization; and

13          “(G) supporting other activities, consistent  
 14          with the purposes of this subtitle.

15          “(2) ADMINISTRATIVE CAP.—No State may  
 16          spend more than the greater of \$55,000, or 5 percent,  
 17          of the State allotment for administrative expenses, in-  
 18          cluding monitoring activities. The cost of activities  
 19          conducted under paragraph (1)(A) shall not be con-  
 20          sidered to be administrative expenses.

21   **“SEC. 676. APPLICATION AND PLAN.**

22          “(a) DESIGNATION OF LEAD AGENCY.—

23               “(1) DESIGNATION.—The chief executive officer  
 24               of a State desiring to receive an allotment under this  
 25               subtitle shall designate, in an application submitted



1       to the Secretary under subsection (b), an appropriate  
2       State agency that complies with the requirements of  
3       paragraph (2) to act as a lead agency for purposes  
4       of carrying out State activities under this subtitle.

5               “(2) *DUTIES.*—The lead agency designated in  
6       accordance with paragraph (1) shall—

7                       “(A) develop the State plan to be submitted  
8       to the Secretary under subsection (b);

9                       “(B) in conjunction with the development of  
10       the State plan as required under subsection (b),  
11       hold at least one hearing in the State with suffi-  
12       cient time, and statewide distribution of notice  
13       of such hearing, to provide to the public an op-  
14       portunity to comment on the proposed use and  
15       distribution of funds to be provided through the  
16       allotment for the period covered by the State  
17       plan; and

18                      “(C) conduct reviews of eligible entities  
19       under section 678B.

20               “(3) *LEGISLATIVE HEARING.*—In order to be eli-  
21       gible to receive an allotment under this subtitle, the  
22       State shall hold at least one legislative hearing every  
23       3 years in conjunction with the development of the  
24       State plan.

1       “(b) *STATE APPLICATION AND PLAN.*—Beginning with  
 2 *fiscal year 2000, to be eligible to receive an allotment under*  
 3 *this subtitle, a State shall prepare and submit to the Sec-*  
 4 *retary an application and State plan covering a period of*  
 5 *not less than 1 fiscal year and not more than 2 fiscal years.*  
 6 *The plan shall be submitted not later than 30 days prior*  
 7 *to the beginning of the first fiscal year covered by the plan,*  
 8 *and shall contain such information as the Secretary shall*  
 9 *require, including—*

10               “(1) *an assurance that funds made available*  
 11 *through the allotment will be used to support activi-*  
 12 *ties that are designed to assist low-income families*  
 13 *and individuals, including homeless families and in-*  
 14 *dividuals, migrant or seasonal farmworkers, and el-*  
 15 *derly low-income individuals and families, and a de-*  
 16 *scription of how such activities will enable the fami-*  
 17 *lies and individuals—*

18               “(A) *to remove obstacles and solve problems*  
 19 *that block the achievement of self-sufficiency;*

20               “(B) *to secure and retain meaningful em-*  
 21 *ployment;*

22               “(C) *to attain an adequate education;*

23               “(D) *to make better use of available income;*

24               “(E) *to obtain and maintain adequate*  
 25 *housing and a suitable living environment;*

1           “(F) to obtain emergency assistance through  
2           loans, grants, or other means to meet immediate  
3           and urgent individual and family needs;

4           “(G) to achieve greater participation in the  
5           affairs of the community involved; and

6           “(H) to make more effective use of other  
7           programs related to the purposes of this subtitle  
8           (including State welfare reform efforts);

9           “(2) a description of how the State intends to  
10          use discretionary funds made available from the re-  
11          mainder of the allotment described in section 675C(b)  
12          in accordance with this subtitle, including a descrip-  
13          tion of how the State will support innovative commu-  
14          nity and neighborhood-based initiatives related to the  
15          purposes of this subtitle;

16          “(3) based on information provided by eligible  
17          entities in the State, a description of—

18               “(A) the service delivery system, for services  
19               provided or coordinated with funds made avail-  
20               able through the allotment, targeted to low-in-  
21               come individuals and families in communities  
22               within the State;

23               “(B) how linkages will be developed to fill  
24               identified gaps in the services, through the provi-

1           sion of information, referrals, case management,  
2           and followup consultations;

3           “(C) how funds made available through the  
4           allotment will be coordinated with other public  
5           and private resources; and

6           “(D) how the funds will be used to support  
7           innovative community and neighborhood-based  
8           initiatives related to the purposes of this subtitle;

9           “(4) an assurance that the State will provide, on  
10          an emergency basis, for the provision of such supplies  
11          and services, nutritious foods, and related services, as  
12          may be necessary to counteract conditions of starva-  
13          tion and malnutrition among low-income individuals;

14          “(5) an assurance that the State will coordinate,  
15          and establish linkages between, governmental and  
16          other social services programs to assure the effective  
17          delivery of such services to low-income individuals;

18          “(6) an assurance that the State will ensure co-  
19          ordination between antipoverty programs in each  
20          community, and ensure, where appropriate, that  
21          emergency energy crisis intervention programs under  
22          title XXVI (relating to low-income home energy as-  
23          sistance) are conducted in such community;

1           “(7) an assurance that the State will permit and  
2           cooperate with Federal investigations undertaken in  
3           accordance with section 678D;

4           “(8) an assurance that any eligible entity that  
5           received funding in the previous fiscal year under this  
6           subtitle will not have its funding terminated under  
7           this subtitle, or reduced below the proportional share  
8           of funding the entity received in the previous fiscal  
9           year unless, after providing notice and an oppor-  
10          tunity for a hearing on the record, the State deter-  
11          mines that cause exists for such termination or such  
12          reduction, subject to review by the Secretary as pro-  
13          vided in section 678C(b);

14          “(9) an assurance that the State will, to the  
15          maximum extent possible, coordinate programs with  
16          and form partnerships with other organizations serv-  
17          ing low-income residents of the communities and  
18          members of the groups served by the State, including  
19          faith-based organizations, charitable groups, and com-  
20          munity organizations;

21          “(10) an assurance that the State will require  
22          each eligible entity to establish procedures under  
23          which a low-income individual, community organiza-  
24          tion, or faith-based organization, or representative of  
25          low-income individuals that considers its organiza-

1        *tion, or low-income individuals, to be inadequately*  
2        *represented on the board (or other mechanism) of the*  
3        *eligible entity to petition for adequate representation;*

4            *“(11) an assurance that the State will secure*  
5        *from each eligible entity, as a condition to receipt of*  
6        *funding by the entity under this subtitle for a pro-*  
7        *gram, a community action plan (which shall be sub-*  
8        *mitted to the Secretary, at the request of the Sec-*  
9        *retary, with the State plan) that includes a commu-*  
10       *nity-needs assessment for the community served,*  
11       *which may be coordinated with community-needs as-*  
12       *sessments conducted for other programs;*

13           *“(12) an assurance that the State and all eligible*  
14        *entities in the State will, not later than fiscal year*  
15        *2002, participate in the Results Oriented Manage-*  
16        *ment and Accountability System, any other perform-*  
17        *ance measure system established by the Secretary*  
18        *under section 678E(b), or an alternative system for*  
19        *measuring performance and results that meets the re-*  
20        *quirements of that section, and a description of out-*  
21        *come measures to be used to measure eligible entity*  
22        *performance in promoting self-sufficiency, family sta-*  
23        *bility, and community revitalization; and*

24           *“(13) information describing how the State will*  
25        *carry out the assurances described in this subsection.*

1       “(c) *DETERMINATIONS.*—*For purposes of making a de-*  
 2 *termination in accordance with subsection (b)(8) with re-*  
 3 *spect to—*

4               “(1) *a funding reduction, the term ‘cause’ in-*  
 5 *cludes—*

6                       “(A) *a statewide redistribution of funds*  
 7 *provided under this subtitle to respond to—*

8                               “(i) *the results of the most recently*  
 9 *available census or other appropriate data;*

10                               “(ii) *the designation of a new eligible*  
 11 *entity; or*

12                               “(iii) *severe economic dislocation; or*

13                       “(B) *the failure of an eligible entity to com-*  
 14 *ply with the terms of an agreement to provide*  
 15 *services under this subtitle; and*

16               “(2) *a termination, the term ‘cause’ includes the*  
 17 *material failure of an eligible entity to comply with*  
 18 *the terms of such an agreement and the State plan to*  
 19 *provide services under this subtitle or the consistent*  
 20 *failure of the entity to achieve performance measures*  
 21 *as determined by the State.*

22       “(d) *PROCEDURES.*—*The Secretary may prescribe pro-*  
 23 *cedures relating to the implementation of this section only*  
 24 *for the purpose of assessing the effectiveness of eligible enti-*  
 25 *ties in carrying out the purposes of this subtitle.*

1       “(e) *REVISIONS AND INSPECTION.*—

2               “(1) *REVISIONS.*—*The chief executive officer of*  
3       *each State may revise any plan prepared under this*  
4       *section and shall submit the revised plan to the Sec-*  
5       *retary.*

6               “(2) *PUBLIC INSPECTION.*—*Each plan or revised*  
7       *plan prepared under this section shall be made avail-*  
8       *able for public inspection within the State in such a*  
9       *manner as will facilitate review of, and comment on,*  
10      *the plan.*

11      “(f) *FISCAL YEAR 1999.*—*For fiscal year 2000, to be*  
12      *eligible to receive an allotment under this subtitle, a State*  
13      *shall prepare and submit to the Secretary an application*  
14      *and State plan in accordance with the provisions of this*  
15      *subtitle (as in effect on the day before the date of enactment*  
16      *of the Coats Human Services Reauthorization Act of 1998),*  
17      *rather than the provisions of subsections (a) through (c) re-*  
18      *lating to applications and plans.*

19      **“SEC. 676A. DESIGNATION AND REDESIGNATION OF ELIGI-**  
20                      **BLE ENTITIES IN UNSERVED AREAS.**

21      “(a) *QUALIFIED ORGANIZATION IN OR NEAR AREA.*—

22               “(1) *IN GENERAL.*—*If any geographic area of a*  
23      *State is not, or ceases to be, served by an eligible en-*  
24      *tity under this subtitle, and if the chief executive offi-*  
25      *cer of the State decides to serve such area, the chief*



1       *executive officer may solicit applications from, and*  
 2       *designate as an eligible entity, one or more—*

3               “(A) *private nonprofit organizations geo-*  
 4               *graphically located in the unserved area that*  
 5               *meet the requirements of this subtitle; or*

6               “(B) *private nonprofit organizations (which*  
 7               *may include eligible entities) located in an area*  
 8               *contiguous to or within reasonable proximity of*  
 9               *the unserved area that are already providing re-*  
 10              *lated services in the unserved area.*

11              “(2) *REQUIREMENT.—In order to serve as the el-*  
 12              *igible entity for the area, an entity described in para-*  
 13              *graph (1)(B) shall agree to add additional members*  
 14              *to the board of the entity to ensure adequate represen-*  
 15              *tation—*

16              “(A) *in each of the three required categories*  
 17              *described in subparagraphs (A), (B), and (C) of*  
 18              *section 676B(a)(2), by members that reside in*  
 19              *the community comprised by the unserved area;*  
 20              *and*

21              “(B) *in the category described in section*  
 22              *676B(a)(2)(B), by members that reside in the*  
 23              *neighborhood served.*

24              “(b) *SPECIAL CONSIDERATION.—In designating an el-*  
 25              *igible entity under subsection (a), the chief executive officer*

1 shall grant the designation to an organization of dem-  
 2 onstrated effectiveness in meeting the goals and purposes  
 3 of this subtitle and may give priority, in granting the des-  
 4 ignation, to local entities that are providing services in the  
 5 unserved area, consistent with the needs identified by a  
 6 community-needs assessment.

7       “(c) NO QUALIFIED ORGANIZATION IN OR NEAR  
 8 AREA.—If no private, nonprofit organization is identified  
 9 or determined to be qualified under subsection (a) to serve  
 10 the unserved area as an eligible entity the chief executive  
 11 officer may designate an appropriate political subdivision  
 12 of the State to serve as an eligible entity for the area. In  
 13 order to serve as the eligible entity for that area, the politi-  
 14 cal subdivision shall have a board or other mechanism as  
 15 required in section 676B(b).

16 **“SEC. 676B. TRIPARTITE BOARDS.**

17       “(a) PRIVATE NONPROFIT ENTITIES.—

18               “(1) BOARD.—In order for a private, nonprofit  
 19 entity to be considered to be an eligible entity for pur-  
 20 poses of section 673(1), the entity shall administer the  
 21 community services block grant program through a  
 22 tripartite board described in paragraph (2) that fully  
 23 participates in the development, planning, and imple-  
 24 mentation of the program to serve low-income com-  
 25 munities.

1           “(2) *SELECTION AND COMPOSITION OF BOARD.*—

2           *The members of the board referred to in paragraph*  
3           *(1) shall be selected by the entity and the board shall*  
4           *be composed so as to assure that—*

5                   “(A)  $\frac{1}{3}$  *of the members of the board are*  
6                   *elected public officials, holding office on the date*  
7                   *of selection, or their representatives, except that*  
8                   *if the number of elected officials reasonably*  
9                   *available and willing to serve on the board is less*  
10                  *than  $\frac{1}{3}$  of the membership of the board, member-*  
11                  *ship on the board of appointive public officials*  
12                  *or their representatives may be counted in meet-*  
13                  *ing such  $\frac{1}{3}$  requirement;*

14                  “(B) *not fewer than  $\frac{1}{3}$  of the members are*  
15                  *persons chosen in accordance with democratic se-*  
16                  *lection procedures adequate to assure that these*  
17                  *members are representative of low-income indi-*  
18                  *viduals and families in the neighborhood served;*

19                  “(C) *the remainder of the members are offi-*  
20                  *cials or members of business, industry, labor, re-*  
21                  *ligious, law enforcement, education, or other*  
22                  *major groups and interests in the community*  
23                  *served; and*

24                  “(D)(i) *each member resides in the commu-*  
25                  *nity; and*

1           “(ii) *each representative of low-income indi-*  
 2           *viduals and families selected to represent a spe-*  
 3           *cific neighborhood within a community under*  
 4           *this paragraph resides in the neighborhood rep-*  
 5           *resented by the member.*

6           “(b) *PUBLIC ORGANIZATIONS.—In order for a public*  
 7           *organization to be considered to be an eligible entity for*  
 8           *purposes of section 673(1), the entity shall administer the*  
 9           *community services block grant program through—*

10           “(1) *a tripartite board, which shall have mem-*  
 11           *bers selected by the organization and shall be com-*  
 12           *posed so as to assure that not fewer than  $\frac{1}{3}$  of the*  
 13           *members are persons chosen in accordance with demo-*  
 14           *cratic selection procedures adequate to assure that*  
 15           *these members—*

16           “(A) *are representative of low-income indi-*  
 17           *viduals and families in the neighborhood served;*

18           “(B) *reside in the neighborhood served; and*

19           “(C) *are able to participate actively in the*  
 20           *development, planning, and implementation of*  
 21           *programs funded under this subtitle; or*

22           “(2) *another mechanism specified by the State to*  
 23           *assure decisionmaking and participation by low-in-*  
 24           *come individuals in the development, planning, and*

1       *implementation of programs funded under this sub-*  
2       *title.*

3       **“SEC. 677. PAYMENTS TO INDIAN TRIBES.**

4       “(a) *RESERVATION.*—*If, with respect to any State, the*  
5       *Secretary—*

6               “(1) *receives a request from the governing body*  
7       *of an Indian tribe or tribal organization within the*  
8       *State that assistance under this subtitle be made di-*  
9       *rectly to such tribe or organization; and*

10              “(2) *determines that the members of such tribe or*  
11       *tribal organization would be better served by means*  
12       *of grants made directly to provide benefits under this*  
13       *subtitle,*

14       *the Secretary shall reserve from amounts that would other-*  
15       *wise be allotted to such State under section 675B for the*  
16       *fiscal year the amount determined under subsection (b).*

17       “(b) *DETERMINATION OF RESERVED AMOUNT.*—*The*  
18       *Secretary shall reserve for the purpose of subsection (a) from*  
19       *amounts that would otherwise be allotted to such State, not*  
20       *less than 100 percent of an amount that bears the same*  
21       *ratio to the State allotment for the fiscal year involved as*  
22       *the population of all eligible Indians for whom a determina-*  
23       *tion has been made under subsection (a) bears to the popu-*  
24       *lation of all individuals eligible for assistance under this*  
25       *subtitle in such State.*

1       “(c) *AWARDS.*—*The sums reserved by the Secretary on*  
 2 *the basis of a determination made under subsection (a) shall*  
 3 *be made available by grant to the Indian tribe or tribal*  
 4 *organization serving the individuals for whom such a deter-*  
 5 *mination has been made.*

6       “(d) *PLAN.*—*In order for an Indian tribe or tribal or-*  
 7 *ganization to be eligible for a grant award for a fiscal year*  
 8 *under this section, the tribe or organization shall submit*  
 9 *to the Secretary a plan for such fiscal year that meets such*  
 10 *criteria as the Secretary may prescribe by regulation.*

11       “(e) *DEFINITIONS.*—*In this section:*

12               “(1) *INDIAN TRIBE; TRIBAL ORGANIZATION.*—*The*  
 13 *terms ‘Indian tribe’ and ‘tribal organization’ mean a*  
 14 *tribe, band, or other organized group recognized in*  
 15 *the State in which the tribe, band, or group resides,*  
 16 *or considered by the Secretary of the Interior, to be*  
 17 *an Indian tribe or an Indian organization for any*  
 18 *purpose.*

19               “(2) *INDIAN.*—*The term ‘Indian’ means a mem-*  
 20 *ber of an Indian tribe or of a tribal organization.*

21       **“SEC. 678. OFFICE OF COMMUNITY SERVICES.**

22       “(a) *OFFICE.*—*The Secretary shall carry out the func-*  
 23 *tions of this subtitle through an Office of Community Serv-*  
 24 *ices, which shall be established in the Department of Health*

1 *and Human Services. The Office shall be headed by a Direc-*  
 2 *tor.*

3 “(b) *GRANTS, CONTRACTS, COOPERATIVE AGREE-*  
 4 *MENTS.—The Secretary shall carry out functions of this*  
 5 *subtitle through grants, contracts, or cooperative agree-*  
 6 *ments.*

7 **“SEC. 678A. TRAINING AND TECHNICAL ASSISTANCE.**

8 “(a) *ACTIVITIES.—The Secretary shall use the*  
 9 *amounts reserved in section 674(b)(2) for training, tech-*  
 10 *nical assistance, planning, evaluation, and data collection*  
 11 *activities related to programs carried out under this sub-*  
 12 *title.*

13 “(b) *PROCESS.—The process for determining the train-*  
 14 *ing and technical assistance to be carried out under this*  
 15 *section shall—*

16 “(1) *ensure that the needs of eligible entities and*  
 17 *programs relating to improving program quality, in-*  
 18 *cluding financial management practices, are ad-*  
 19 *dressed to the maximum extent feasible; and*

20 “(2) *incorporate mechanisms to ensure respon-*  
 21 *siveness to local needs, including an ongoing proce-*  
 22 *dure for obtaining input from the national and State*  
 23 *networks of eligible entities.*

1   **“SEC. 678B. MONITORING OF ELIGIBLE ENTITIES.**

2           “(a) *IN GENERAL.*—*In order to determine whether eli-*  
3 *gible entities meet the performance goals, administrative*  
4 *standards, financial management requirements, and other*  
5 *requirements of a State, the State shall conduct the follow-*  
6 *ing reviews of eligible entities:*

7           “(1) *A full onsite review of each such entity at*  
8 *least once during each 3-year period.*

9           “(2) *An onsite review of each newly designated*  
10 *entity immediately after the completion of the first*  
11 *year in which such entity receives funds through the*  
12 *community services block grant program.*

13           “(3) *Followup reviews including prompt return*  
14 *visits to eligible entities, and their programs, that fail*  
15 *to meet the goals, standards, and requirements estab-*  
16 *lished by the State.*

17           “(4) *Other reviews as appropriate, including re-*  
18 *views of entities with programs that have had other*  
19 *Federal, State, or local grants (other than assistance*  
20 *provided under this subtitle) terminated for cause.*

21           “(b) *REQUESTS.*—*The State may request training and*  
22 *technical assistance from the Secretary as needed to comply*  
23 *with the requirements of this section.*



1 **“SEC. 678C. CORRECTIVE ACTION; TERMINATION AND RE-**  
2 **DUCTION OF FUNDING.**

3 “(a) *DETERMINATION.*—If the State determines, on the  
4 basis of a review pursuant to subsection 678B, that an eligi-  
5 ble entity has had a failure described in section 676(c), the  
6 State shall—

7 “(1) *inform the entity of the deficiency to be cor-*  
8 *rected;*

9 “(2) *require the entity to correct the deficiency;*

10 “(3)(A) *offer training and technical assistance, if*  
11 *appropriate, to help correct the deficiency, and pre-*  
12 *pare and submit to the Secretary a report describing*  
13 *the training and technical assistance offered; or*

14 “(B) *if the State determines that such training*  
15 *and technical assistance are not appropriate, prepare*  
16 *and submit to the Secretary a report stating the rea-*  
17 *sons for the determination;*

18 “(4)(A) *at the discretion of the State (taking into*  
19 *account the seriousness of the deficiency and the time*  
20 *reasonably required to correct the deficiency), allow*  
21 *the entity to develop and implement, within 60 days*  
22 *after being informed of the deficiency, a quality im-*  
23 *provement plan to correct such deficiency within a*  
24 *reasonable period of time, as determined by the State;*  
25 *and*

1                   “(B) not later than 30 days after receiving from  
2                   an eligible entity a proposed quality improvement  
3                   plan pursuant to subparagraph (A), either approve  
4                   such proposed plan or specify the reasons why the  
5                   proposed plan cannot be approved; and

6                   “(5) after providing adequate notice and an op-  
7                   portunity for a hearing, initiate proceedings to termi-  
8                   nate the designation of or reduce the funding under  
9                   this subtitle of the eligible entity unless the entity cor-  
10                  rects the deficiency.

11       “(b) *REVIEW.*—A determination to terminate the des-  
12    ignation or reduce the funding of an eligible entity is re-  
13    viewable by the Secretary. The Secretary shall, upon re-  
14    quest, review such a determination. The review shall be  
15    completed not later than 60 days after the determination  
16    to terminate the designation or reduce the funding. If the  
17    review is not completed within 60 days, the determination  
18    of the State shall become final at the end of the 60th day.

19 “SEC. 678D. FISCAL CONTROLS, AUDITS, AND WITHHOLD-  
20 ING.

21           “(a) *FISCAL CONTROLS, PROCEDURES, AUDITS, AND*  
22 *INSPECTIONS.*—

23 “(1) *IN GENERAL.*—A State that receives funds  
24 under this subtitle shall—

1           “(A) establish fiscal control and fund ac-  
2           counting procedures necessary to assure the  
3           proper disbursement of and accounting for Federal  
4           funds paid to the State under this subtitle, in-  
5           cluding procedures for monitoring the funds pro-  
6           vided under this subtitle;

7           “(B) ensure that cost and accounting stand-  
8           ards of the Office of Management and Budget  
9           apply to a recipient of funds under this subtitle;

10          “(C) prepare, at least every year (or in the  
11          case of a State with a 2-year State plan, every  
12          2 years) in accordance with paragraph (2) an  
13          audit of the expenditures of the State of amounts  
14          received under this subtitle and amounts trans-  
15          ferred to carry out the purposes of this subtitle;  
16          and

17          “(D) make appropriate books, documents,  
18          papers, and records available to the Secretary  
19          and the Comptroller General of the United  
20          States, or any of their duly authorized represent-  
21          atives, for examination, copying, or mechanical  
22          reproduction on or off the premises of the appro-  
23          priate entity upon a reasonable request for the  
24          items.

1           “(2) *AUDITS.*—*Each audit required by sub-*  
2           *section (a)(1)(C) shall be conducted by an entity inde-*  
3           *pendent of any agency administering activities or*  
4           *services carried out under this subtitle and shall be*  
5           *conducted in accordance with generally accepted ac-*  
6           *counting principles. Within 30 days after the comple-*  
7           *tion of each such audit in a State, the chief executive*  
8           *officer of the State shall submit a copy of such audit*  
9           *to any eligible entity that was the subject of the audit*  
10          *at no charge, to the legislature of the State, and to*  
11          *the Secretary.*

12           “(3) *REPAYMENTS.*—*The State shall repay to the*  
13          *United States amounts found not to have been ex-*  
14          *pended in accordance with this subtitle or the Sec-*  
15          *retary may offset such amounts against any other*  
16          *amount to which the State is or may become entitled*  
17          *under this subtitle.*

18          “(b) *WITHHOLDING.*—

19           “(1) *IN GENERAL.*—*The Secretary shall, after*  
20          *providing adequate notice and an opportunity for a*  
21          *hearing conducted within the affected State, withhold*  
22          *funds from any State that does not utilize the State*  
23          *allotment in accordance with the provisions of this*  
24          *subtitle, including the assurances such State provided*  
25          *under section 676.*

1           “(2) *RESPONSE TO COMPLAINTS.*—*The Secretary*  
 2           *shall respond in an expeditious and speedy manner*  
 3           *to complaints of a substantial or serious nature that*  
 4           *a State has failed to use funds in accordance with the*  
 5           *provisions of this subtitle, including the assurances*  
 6           *provided by the State under section 676. For purposes*  
 7           *of this paragraph, a complaint of a failure to meet*  
 8           *any one of the assurances provided under section 676*  
 9           *that constitutes disregarding that assurance shall be*  
 10           *considered to be a complaint of a serious nature.*

11           “(3) *INVESTIGATIONS.*—*Whenever the Secretary*  
 12           *determines that there is a pattern of complaints of*  
 13           *failures described in paragraph (2) from any State in*  
 14           *any fiscal year, the Secretary shall conduct an inves-*  
 15           *tigation of the use of funds received under this subtitle*  
 16           *by such State in order to ensure compliance with the*  
 17           *provisions of this subtitle.*

18   **“SEC. 678E. ACCOUNTABILITY AND REPORTING REQUIRE-**  
 19           **MENTS.**

20           “(a) *STATE ACCOUNTABILITY AND REPORTING RE-*  
 21           *QUIREMENTS.*—

22           “(1) *PERFORMANCE MEASUREMENT.*—

23           “(A) *IN GENERAL.*—*By October 1, 2001,*  
 24           *each State that receives funds under this subtitle*  
 25           *shall participate, and shall ensure that all eligi-*

1        *ble entities in the State participate, in a per-*  
2        *formance measurement system, which may be a*  
3        *performance measurement system established by*  
4        *the Secretary pursuant to subsection (b), or an*  
5        *alternative system that the Secretary is satisfied*  
6        *meets the requirements of subsection (b).*

7                *“(B) LOCAL AGENCIES.—The State may*  
8        *elect to have local agencies that are subcontract-*  
9        *ors of the eligible entities under this subtitle*  
10       *participate in the performance measurement sys-*  
11       *tem. If the State makes that election, references*  
12       *in this section to eligible entities shall be consid-*  
13       *ered to include the local agencies.*

14                *“(2) ANNUAL REPORT.—Each State shall annu-*  
15       *ally prepare and submit to the Secretary a report on*  
16       *the measured performance of the State and the eligible*  
17       *entities in the State. Prior to the participation of the*  
18       *State in the performance measurement system, the*  
19       *State shall include in the report any information col-*  
20       *lected by the State relating to such performance. Each*  
21       *State shall also include in the report an accounting*  
22       *of the expenditure of funds received by the State*  
23       *through the community services block grant program,*  
24       *including an accounting of funds spent on adminis-*  
25       *trative costs by the State and the eligible entities, and*

1     *funds spent by eligible entities on the direct delivery*  
 2     *of local services, and shall include information on the*  
 3     *number of and characteristics of clients served under*  
 4     *this subtitle in the State, based on data collected from*  
 5     *the eligible entities. The State shall also include in the*  
 6     *report a summary describing the training and tech-*  
 7     *nical assistance offered by the State under section*  
 8     *678C(a)(3) during the year covered by the report.*

9     “(b) *SECRETARY’S ACCOUNTABILITY AND REPORTING*  
 10  *REQUIREMENTS.*—

11             “(1) *PERFORMANCE MEASUREMENT.*—*The Sec-*  
 12     *retary, in collaboration with the States and with eli-*  
 13     *gible entities throughout the Nation, shall establish*  
 14     *one or more model performance measurement systems,*  
 15     *which may be used by the States and by eligible enti-*  
 16     *ties to measure their performance in carrying out the*  
 17     *requirements of this subtitle and in achieving the*  
 18     *goals of community action plans. The Secretary shall*  
 19     *provide technical assistance, including support for the*  
 20     *enhancement of electronic data systems, to States and*  
 21     *to eligible entities to enhance their capability to col-*  
 22     *lect and report data for such a system and to aid in*  
 23     *their participation in such a system.*

24             “(2) *REPORTING REQUIREMENTS.*—*At the end of*  
 25     *each fiscal year beginning after September 30, 1999,*

1       *the Secretary shall, directly or by grant or contract,*  
2       *prepare a report containing each of the following ele-*  
3       *ments:*

4               “(A) *A summary of the planned use of*  
5               *funds by each State, and the eligible entities in*  
6               *the State, under the community services block*  
7               *grant program, as contained in each State plan*  
8               *submitted pursuant to section 676.*

9               “(B) *A description of how funds were actu-*  
10              *ally spent by the State and eligible entities in*  
11              *the State, including a breakdown of funds spent*  
12              *on administrative costs and on the direct deliv-*  
13              *ery of local services by eligible entities.*

14              “(C) *Information on the number of entities*  
15              *eligible for funds under this subtitle, the number*  
16              *of low-income persons served under this subtitle,*  
17              *and such demographic data on the low-income*  
18              *populations served by eligible entities as is deter-*  
19              *mined by the Secretary to be feasible.*

20              “(D) *A comparison of the planned uses of*  
21              *funds for each State and the actual uses of the*  
22              *funds.*

23              “(E) *A summary of each State’s perform-*  
24              *ance results, and the results for the eligible enti-*



1           *ties, as collected and submitted by the States in*  
 2           *accordance with subsection (a)(2).*

3           “(F) *Any additional information that the*  
 4           *Secretary considers to be appropriate to carry*  
 5           *out this subtitle, if the Secretary informs the*  
 6           *States of the need for such additional informa-*  
 7           *tion and allows a reasonable period of time for*  
 8           *the States to collect and provide the information.*

9           “(3) *SUBMISSION.—The Secretary shall submit*  
 10          *to the Committee on Education and the Workforce of*  
 11          *the House of Representatives and the Committee on*  
 12          *Labor and Human Resources of the Senate the report*  
 13          *described in paragraph (2), and any comments the*  
 14          *Secretary may have with respect to such report. The*  
 15          *report shall include definitions of direct, indirect, and*  
 16          *administrative costs used by the Department of*  
 17          *Health and Human Services for programs funded*  
 18          *under this subtitle.*

19          “(4) *COSTS.—Of the funds reserved under section*  
 20          *674(b)(3), not more than \$350,000 shall be available*  
 21          *to carry out the reporting requirements contained in*  
 22          *paragraph (2) and the provision of technical assist-*  
 23          *ance described in paragraph (1).*

24       **“SEC. 678F. LIMITATIONS ON USE OF FUNDS.**

25          “(a) *CONSTRUCTION OF FACILITIES.—*

1           “(1) *LIMITATIONS.*—*Except as provided in para-*  
2           *graph (2), grants made under this subtitle (other than*  
3           *amounts reserved under section 674(b)(3)) may not be*  
4           *used by the State, or by any other person with which*  
5           *the State makes arrangements to carry out the pur-*  
6           *poses of this subtitle, for the purchase or improvement*  
7           *of land, or the purchase, construction, or permanent*  
8           *improvement (other than low-cost residential weather-*  
9           *ization or other energy-related home repairs) of any*  
10          *building or other facility.*

11          “(2) *WAIVER.*—*The Secretary may waive the*  
12          *limitation contained in paragraph (1) upon a State*  
13          *request for such a waiver, if the Secretary finds that*  
14          *the request describes extraordinary circumstances to*  
15          *justify the purchase of land or the construction of fa-*  
16          *cilities (or the making of permanent improvements)*  
17          *and that permitting the waiver will contribute to the*  
18          *ability of the State to carry out the purposes of this*  
19          *subtitle.*

20          “(b) *POLITICAL ACTIVITIES.*—

21               “(1) *TREATMENT AS A STATE OR LOCAL AGEN-*  
22               *CY.*—*For purposes of chapter 15 of title 5, United*  
23               *States Code, any entity that assumes responsibility*  
24               *for planning, developing, and coordinating activities*  
25               *under this subtitle and receives assistance under this*

1     *subtitle shall be deemed to be a State or local agency.*  
 2     *For purposes of paragraphs (1) and (2) of section*  
 3     *1502(a) of such title, any entity receiving assistance*  
 4     *under this subtitle shall be deemed to be a State or*  
 5     *local agency.*

6             “(2) *PROHIBITIONS.—Programs assisted under*  
 7     *this subtitle shall not be carried on in a manner in-*  
 8     *volving the use of program funds, the provision of*  
 9     *services, or the employment or assignment of person-*  
 10    *nel, in a manner supporting or resulting in the iden-*  
 11    *tification of such programs with—*

12            “(A) *any partisan or nonpartisan political*  
 13    *activity or any political activity associated with*  
 14    *a candidate, or contending faction or group, in*  
 15    *an election for public or party office;*

16            “(B) *any activity to provide voters or pro-*  
 17    *spective voters with transportation to the polls or*  
 18    *similar assistance in connection with any such*  
 19    *election; or*

20            “(C) *any voter registration activity.*

21            “(3) *RULES AND REGULATIONS.—The Secretary,*  
 22    *after consultation with the Office of Personnel Man-*  
 23    *agement, shall issue rules and regulations to provide*  
 24    *for the enforcement of this subsection, which shall in-*  
 25    *clude provisions for summary suspension of assistance*

1       or other action necessary to permit enforcement on an  
2       emergency basis.

3       “(c) *NONDISCRIMINATION.*—

4               “(1) *IN GENERAL.*—No person shall, on the basis  
5       of race, color, national origin, or sex be excluded from  
6       participation in, be denied the benefits of, or be sub-  
7       jected to discrimination under, any program or activ-  
8       ity funded in whole or in part with funds made  
9       available under this subtitle. Any prohibition against  
10      discrimination on the basis of age under the Age Dis-  
11      crimination Act of 1975 (42 U.S.C. 6101 et seq.) or  
12      with respect to an otherwise qualified individual with  
13      a disability as provided in section 504 of the Reha-  
14      bilitation Act of 1973 (29 U.S.C. 794), or title II of  
15      the Americans with Disabilities Act of 1990 (42  
16      U.S.C. 12131 et seq.) shall also apply to any such  
17      program or activity.

18              “(2) *ACTION OF SECRETARY.*—Whenever the Sec-  
19      retary determines that a State that has received a  
20      payment under this subtitle has failed to comply with  
21      paragraph (1) or an applicable regulation, the Sec-  
22      retary shall notify the chief executive officer of the  
23      State and shall request that the officer secure compli-  
24      ance. If within a reasonable period of time, not to ex-

1        *ceed 60 days, the chief executive officer fails or refuses*  
 2        *to secure compliance, the Secretary is authorized to—*

3                *“(A) refer the matter to the Attorney Gen-*  
 4                *eral with a recommendation that an appropriate*  
 5                *civil action be instituted;*

6                *“(B) exercise the powers and functions pro-*  
 7                *vided by title VI of the Civil Rights Act of 1964*  
 8                *(42 U.S.C. 2000d et seq.), the Age Discrimina-*  
 9                *tion Act of 1975 (42 U.S.C. 6101 et seq.), section*  
 10               *504 of the Rehabilitation Act of 1973 (29 U.S.C.*  
 11               *794), or title II of the Americans with Disabil-*  
 12               *ities Act of 1990 (42 U.S.C. 12131), as may be*  
 13               *applicable; or*

14               *“(C) take such other action as may be pro-*  
 15               *vided by law.*

16               *“(3) ACTION OF ATTORNEY GENERAL.—When a*  
 17               *matter is referred to the Attorney General pursuant*  
 18               *to paragraph (2), or whenever the Attorney General*  
 19               *has reason to believe that the State is engaged in a*  
 20               *pattern or practice of discrimination in violation of*  
 21               *the provisions of this subsection, the Attorney General*  
 22               *may bring a civil action in any appropriate United*  
 23               *States district court for such relief as may be appro-*  
 24               *priate, including injunctive relief.*

1 **“SEC. 679. OPERATIONAL RULE.**

2       “(a) *FAITH-BASED ORGANIZATIONS INCLUDED AS*  
 3 *NONGOVERNMENTAL PROVIDERS.*—*For any program car-*  
 4 *ried out by the Federal Government, or by a State or local*  
 5 *government under this subtitle, the government shall con-*  
 6 *sider, on the same basis as other nongovernmental organiza-*  
 7 *tions, faith-based organizations to provide the assistance*  
 8 *under the program, so long as the program is implemented*  
 9 *in a manner consistent with the Establishment Clause of*  
 10 *the first amendment to the Constitution. Neither the Federal*  
 11 *Government nor a State or local government receiving*  
 12 *funds under this subtitle shall discriminate against an or-*  
 13 *ganization that provides assistance under, or applies to*  
 14 *provide assistance under, this subtitle, on the basis that the*  
 15 *organization has a faith-based character.*

16       “(c) *FAITH-BASED CHARACTER AND INDEPEND-*  
 17 *ENCE.*—

18               “(1) *IN GENERAL.*—*A faith-based organization*  
 19 *that provides assistance under a program described in*  
 20 *subsection (a) shall retain its faith-based character*  
 21 *and control over the definition, development, practice,*  
 22 *and expression of its faith-based beliefs.*

23               “(2) *ADDITIONAL SAFEGUARDS.*—*Neither the*  
 24 *Federal Government nor a State or local government*  
 25 *shall require a faith-based organization—*

1           “(A) to alter its form of internal govern-  
 2           ance, except (for purposes of administration of  
 3           the community services block grant program) as  
 4           provided in section 676B; or

5           “(B) to remove religious art, icons, scrip-  
 6           ture, or other symbols;

7           in order to be eligible to provide assistance under a  
 8           program described in subsection (a).

9           “(3) *TENETS AND TEACHINGS.*—A faith-based organi-  
 10          zation that provides assistance under a program described  
 11          in subsection (a) may require that employees adhere to the  
 12          religious tenets and teachings of such organization, and  
 13          such organization may require that employees adhere to  
 14          rules forbidding the use of drugs or alcohol.

15          “(c) *LIMITATIONS ON USE OF FUNDS FOR CERTAIN*  
 16          *PURPOSES.*—No funds provided through a grant or contract  
 17          to a faith-based organization to provide assistance under  
 18          any program described in subsection (a) shall be expended  
 19          for sectarian worship, instruction, or proselytization.

20          “(d) *FISCAL ACCOUNTABILITY.*—

21                 “(1) *IN GENERAL.*—Except as provided in para-  
 22          graph (2), any faith-based organization providing as-  
 23          sistance under any program described in subsection  
 24          (a) shall be subject to the same regulations as other  
 25          nongovernmental organizations to account in accord

1       *with generally accepted accounting principles for the*  
 2       *use of such funds provided under such program.*

3               “(2) *LIMITED AUDIT.*—*Such organization shall*  
 4       *segregate government funds provided under such pro-*  
 5       *gram into a separate account. Only the government*  
 6       *funds shall be subject to audit by the government.*

7               “(e) *TREATMENT OF ELIGIBLE ENTITIES AND OTHER*  
 8       *INTERMEDIATE ORGANIZATIONS.*—*If an eligible entity or*  
 9       *other organization (referred to in this subsection as an ‘in-*  
 10       *termediate organization’), acting under a contract, or grant*  
 11       *or other agreement, with the Federal Government or a State*  
 12       *or local government, is given the authority under the con-*  
 13       *tract or agreement to select nongovernmental organizations*  
 14       *to provide assistance under the programs described in sub-*  
 15       *section (a), the intermediate organization shall have the*  
 16       *same duties under this section as the government.*

17       **“SEC. 680. DISCRETIONARY AUTHORITY OF THE SEC-**  
 18               **RETARY.**

19               “(a) *GRANTS, CONTRACTS, ARRANGEMENTS, LOANS,*  
 20       *AND GUARANTEES.*—

21               “(1) *IN GENERAL.*—*The Secretary shall, from*  
 22       *funds reserved under section 674(b)(3), make grants,*  
 23       *loans, or guarantees to States and public agencies*  
 24       *and private, nonprofit organizations, or enter into*  
 25       *contracts or jointly financed cooperative arrange-*



ments with States and public agencies and private, nonprofit organizations (and for-profit organizations, to the extent specified in paragraph (2)(E)) for each of the objectives described in paragraphs (2) through (4).

“(2) *COMMUNITY ECONOMIC DEVELOPMENT.*—

“(A) *ECONOMIC DEVELOPMENT ACTIVITIES.*—The Secretary shall make grants described in paragraph (1) on a competitive basis to private, nonprofit organizations that are community development corporations to enable the corporations to provide technical and financial assistance for economic development activities designed to address the economic needs of low-income individuals and families by creating employment and business development opportunities.

“(B) *CONSULTATION.*—The Secretary shall exercise the authority provided under subparagraph (A) after consultation with other relevant Federal officials.

“(C) *GOVERNING BOARDS.*—For a community development corporation to receive funds to carry out this paragraph, the corporation shall be governed by a board that shall consist of resi-

1        *dents of the community and business and civic*  
2        *leaders and shall have as a principal purpose*  
3        *planning, developing, or managing low-income*  
4        *housing or community development projects.*

5                “(D)    *GEOGRAPHIC    DISTRIBUTION.—In*  
6        *making grants to carry out this paragraph, the*  
7        *Secretary shall take into consideration the geo-*  
8        *graphic distribution of funding among States*  
9        *and the relative proportion of funding among*  
10       *rural and urban areas.*

11               “(E) *RESERVATION.—Of the amounts made*  
12       *available to carry out this paragraph, the Sec-*  
13       *retary may reserve not more than 1 percent for*  
14       *each fiscal year to make grants to private, non-*  
15       *profit organizations, or to enter into contracts*  
16       *with private, nonprofit or for-profit organiza-*  
17       *tions, to enable the organizations involved to*  
18       *provide technical assistance to aid community*  
19       *development corporations in developing or imple-*  
20       *menting activities funded to carry out this para-*  
21       *graph and to evaluate activities funded to carry*  
22       *out this paragraph.*

23               “(3) *RURAL COMMUNITY DEVELOPMENT ACTIVI-*  
24       *TIES.—The Secretary shall provide the assistance de-*

1       scribed in paragraph (1) for rural community devel-  
2       opment activities, which shall include providing—

3               “(A) grants to private, nonprofit corpora-  
4               tions to enable the corporations to provide assist-  
5               ance concerning home repair to rural low-income  
6               families and concerning planning and develop-  
7               ing low-income rural rental housing units; and

8               “(B) grants to multistate, regional, private,  
9               nonprofit organizations to enable the organiza-  
10              tions to provide training and technical assist-  
11              ance to small, rural communities concerning  
12              meeting their community facility needs.

13             “(4) NEIGHBORHOOD INNOVATION PROJECTS.—

14       The Secretary shall provide the assistance described  
15       in paragraph (1) for neighborhood innovation  
16       projects, which shall include providing grants to  
17       neighborhood-based private, nonprofit organizations  
18       to test or assist in the development of new approaches  
19       or methods that will aid in overcoming special prob-  
20       lems identified by communities or neighborhoods or  
21       otherwise assist in furthering the purposes of this sub-  
22       title, and which may include providing assistance for  
23       projects that are designed to serve low-income individ-  
24       uals and families who are not being effectively served  
25       by other programs.

1       “(b) *EVALUATION.*—*The Secretary shall require all ac-*  
 2       *tivities receiving assistance under this section to be evalu-*  
 3       *ated for their effectiveness. Funding for such evaluations*  
 4       *shall be provided as a stated percentage of the assistance*  
 5       *or through a separate grant awarded by the Secretary spe-*  
 6       *cifically for the purpose of evaluation of a particular activ-*  
 7       *ity or group of activities.*

8       “(c) *ANNUAL REPORT.*—*The Secretary shall compile*  
 9       *an annual report containing a summary of the evaluations*  
 10       *required in subsection (b) and a listing of all activities as-*  
 11       *sisted under this section. The Secretary shall annually sub-*  
 12       *mit the report to the Chairperson of the Committee on Edu-*  
 13       *cation and the Workforce of the House of Representatives*  
 14       *and the Chairperson of the Committee on Labor and*  
 15       *Human Resources of the Senate.*

16       **“SEC. 681. COMMUNITY FOOD AND NUTRITION PROGRAMS.**

17       “(a) *GRANTS.*—*The Secretary may, through grants to*  
 18       *public and private, nonprofit agencies, provide for commu-*  
 19       *nity-based, local, statewide, and national programs—*

20               “(1) *to coordinate private and public food assist-*  
 21       *ance resources, wherever the grant recipient involved*  
 22       *determines such coordination to be inadequate, to bet-*  
 23       *ter serve low-income populations;*

24               “(2) *to assist low-income communities to iden-*  
 25       *tify potential sponsors of child nutrition programs*

1       *and to initiate such programs in underserved or*  
 2       *unserved areas; and*

3               *“(3) to develop innovative approaches at the*  
 4       *State and local level to meet the nutrition needs of*  
 5       *low-income individuals.*

6       *“(b) ALLOTMENTS AND DISTRIBUTION OF FUNDS.—*

7               *“(1) NOT TO EXCEED \$6,000,000 IN APPROPRIA-*  
 8       *TIONS.—Of the amount appropriated for a fiscal year*  
 9       *to carry out this section (but not to exceed*  
 10       *\$6,000,000), the Secretary shall distribute funds for*  
 11       *grants under subsection (a) as follows:*

12               *“(A) ALLOTMENTS.—From a portion equal*  
 13       *to 60 percent of such amount (but not to exceed*  
 14       *\$3,600,000), the Secretary shall allot for grants*  
 15       *to eligible agencies for statewide programs in*  
 16       *each State the amount that bears the same ratio*  
 17       *to such portion as the low-income and unem-*  
 18       *ployed population of such State bears to the low-*  
 19       *income and unemployed population of all the*  
 20       *States.*

21               *“(B) COMPETITIVE GRANTS.—From a por-*  
 22       *tion equal to 40 percent of such amount (but not*  
 23       *to exceed \$2,400,000), the Secretary shall make*  
 24       *grants on a competitive basis to eligible agencies*  
 25       *for local and statewide programs.*

1           “(2) *GREATER AVAILABLE APPROPRIATIONS.*—  
2     *Any amounts appropriated for a fiscal year to carry*  
3     *out this section in excess of \$6,000,000 shall be allot-*  
4     *ted as follows:*

5           “(A) *ALLOTMENTS.*—*The Secretary shall*  
6     *use 40 percent of such excess to make allotments*  
7     *for grants under subsection (a) to eligible agen-*  
8     *cies for statewide programs in each State in an*  
9     *amount that bears the same ratio to 40 percent*  
10    *of such excess as the low-income and unemployed*  
11    *population of such State bears to the low-income*  
12    *and unemployed population of all the States.*

13          “(B) *COMPETITIVE GRANTS FOR LOCAL AND*  
14    *STATEWIDE PROGRAMS.*—*The Secretary shall use*  
15    *40 percent of such excess to make grants under*  
16    *subsection (a) on a competitive basis to eligible*  
17    *agencies for local and statewide programs.*

18          “(C) *COMPETITIVE GRANTS FOR NATION-*  
19    *WIDE PROGRAMS.*—*The Secretary shall use the*  
20    *remaining 20 percent of such excess to make*  
21    *grants under subsection (a) on a competitive*  
22    *basis to eligible agencies for nationwide pro-*  
23    *grams, including programs benefiting Indians as*  
24    *defined in section 677 and migrant or seasonal*  
25    *farmworkers.*

1           “(3) *ELIGIBILITY FOR ALLOTMENTS FOR STATE-*  
 2           *WIDE PROGRAMS.—To be eligible to receive an allot-*  
 3           *ment under paragraph (1)(A) or (2)(A), an eligible*  
 4           *agency shall demonstrate that the proposed program*  
 5           *is statewide in scope and represents a comprehensive*  
 6           *and coordinated effort to alleviate hunger within the*  
 7           *State.*

8           “(4) *MINIMUM ALLOTMENTS FOR STATEWIDE*  
 9           *PROGRAMS.—*

10           “(A) *IN GENERAL.—From the amounts al-*  
 11           *lotted under paragraphs (1)(A) and (2)(A), the*  
 12           *minimum total allotment for each State for each*  
 13           *fiscal year shall be—*

14           “(i) \$15,000 if the total amount appro-  
 15           *priated to carry out this section is not less*  
 16           *than \$7,000,000 but less than \$10,000,000;*

17           “(ii) \$20,000 if the total amount ap-  
 18           *propriated to carry out this section is not*  
 19           *less than \$10,000,000 but less than*  
 20           *\$15,000,000; or*

21           “(iii) \$30,000 if the total amount ap-  
 22           *propriated to carry out this section is not*  
 23           *less than \$15,000,000.*

24           “(B) *DEFINITION.—In this paragraph, the*  
 25           *term ‘State’ does not include Guam, American*

1           *Samoa, the United States Virgin Islands, the*  
2           *Commonwealth of the Northern Mariana Islands,*  
3           *or the Freely Associated States.*

4           “(5) *MAXIMUM GRANTS.*—*From funds made*  
5           *available under paragraphs (1)(B) and (2)(B) for*  
6           *any fiscal year, the Secretary may not make grants*  
7           *under subsection (a) to an eligible agency in an ag-*  
8           *gregate amount exceeding \$50,000. From funds made*  
9           *available under paragraph (2)(C) for any fiscal year,*  
10          *the Secretary may not make grants under subsection*  
11          *(a) to an eligible agency in an aggregate amount ex-*  
12          *ceeding \$300,000.*

13          “(c) *REPORT.*—*For each fiscal year, the Secretary*  
14          *shall prepare and submit, to the Committee on Education*  
15          *and the Workforce of the House of Representatives and the*  
16          *Committee on Labor and Human Resources of the Senate,*  
17          *a report concerning the grants made under this section.*  
18          *Such report shall include—*

19                 “(1) *a list of grant recipients;*

20                 “(2) *information on the amount of funding*  
21                 *awarded to each grant recipient; and*

22                 “(3) *a summary of the activities performed by*  
23                 *the grant recipients with funding awarded under this*  
24                 *section and a description of the manner in which*



1     *such activities meet the objectives described in sub-*  
2     *section (a).*

3       “(d) *AUTHORIZATION OF APPROPRIATIONS.—There*  
4 *are authorized to be appropriated to carry out this section*  
5 *\$25,000,000 for fiscal year 1999, and such sums as may*  
6 *be necessary for each of fiscal years 2000 through 2003.*

7 ***“SEC. 682. NATIONAL OR REGIONAL PROGRAMS DESIGNED***  
8 ***TO PROVIDE INSTRUCTIONAL ACTIVITIES***  
9 ***FOR LOW-INCOME YOUTH.***

10           “(a) *GENERAL AUTHORITY.—The Secretary is author-*  
11   *ized to make a grant to an eligible service provider to ad-*  
12   *minister national or regional programs to provide instruc-*  
13   *tional activities for low-income youth. In making such a*  
14   *grant, the Secretary shall give priority to eligible service*  
15   *providers that have a demonstrated ability to operate such*  
16   *a program.*

“(b) *PROGRAM REQUIREMENTS.*—Any instructional activity carried out by an eligible service provider receiving a grant under this section shall be carried out on the campus of an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))) and shall include—

23 “(1) access to the facilities and resources of such  
24 an institution;

1           “(2) *an initial medical examination and follow-*  
2           *up referral or treatment, without charge, for youth*  
3           *during their participation in such activity;*

4           “(3) *at least one nutritious meal daily, without*  
5           *charge, for participating youth during each day of*  
6           *participation;*

7           “(4) *high quality instruction in a variety of*  
8           *sports (that shall include swimming and that may in-*  
9           *clude dance and any other high quality recreational*  
10          *activity) provided by coaches and teachers from insti-*  
11          *tutions of higher education and from elementary and*  
12          *secondary schools (as defined in section 14101 of the*  
13          *Elementary and Secondary Education Act of 1965*  
14          *(20 U.S.C. 8801)); and*

15          “(5) *enrichment instruction and information on*  
16          *matters relating to the well-being of youth, to include*  
17          *educational opportunities and information on study*  
18          *practices, education for the prevention of drug and al-*  
19          *cohol abuse, and information on health and nutrition,*  
20          *career opportunities, and family and job responsibil-*  
21          *ities.*

22          “(c) *ADVISORY COMMITTEE; PARTNERSHIPS.—The eli-*  
23          *gible service provider shall, in each community in which*  
24          *a program is funded under this section—*

25               “(1) *ensure that—*

1           “(A) a community-based advisory commit-  
2           tee is established, with representatives from local  
3           youth, family, and social service organizations,  
4           schools, entities providing park and recreation  
5           services, and other community-based organiza-  
6           tions serving high-risk youth; or

7           “(B) an existing community-based advisory  
8           board, commission, or committee with similar  
9           membership is utilized to serve as the committee  
10          described in subparagraph (A); and

11          “(2) enter into formal partnerships with youth-  
12          serving organizations or other appropriate social  
13          service entities in order to link program participants  
14          with year-round services in their home communities  
15          that support and continue the objectives of this sub-  
16          title.

17          “(d) *ELIGIBLE PROVIDERS.*—A service provider that  
18          is a national private, nonprofit organization, a coalition  
19          of such organizations, or a private, nonprofit organization  
20          applying jointly with a business concern shall be eligible  
21          to apply for a grant under this section if—

22               “(1) the applicant has demonstrated experience  
23               in operating a program providing instruction to low-  
24               income youth;

1           “(2) the applicant agrees to contribute an  
2           amount (in cash or in kind, fairly evaluated) of not  
3           less than 25 percent of the amount requested, for the  
4           program funded through the grant;

5           “(3) the applicant agrees to use no funds from  
6           a grant authorized under this section for administra-  
7           tive expenses; and

8           “(4) the applicant agrees to comply with the reg-  
9           ulations or program guidelines promulgated by the  
10          Secretary for use of funds made available through the  
11          grant.

12          “(e) *APPLICATIONS PROCESS.*—To be eligible to receive  
13          a grant under this section, a service provider shall submit  
14          to the Secretary, for approval, an application at such time,  
15          in such manner, and containing such information as the  
16          Secretary may require.

17          “(f) *PROMULGATION OF REGULATIONS OR PROGRAM*  
18          *GUIDELINES.*—The Secretary shall promulgate regulations  
19          or program guidelines to ensure funds made available  
20          through a grant made under this section are used in accord-  
21          ance with the objectives of this subtitle.

22          “(g) *AUTHORIZATION OF APPROPRIATIONS.*—There is  
23          authorized to be appropriated \$15,000,000 for each of fiscal  
24          years 1999 through 2003 for grants to carry out this section.

1 **“SEC. 683. REFERENCES.**

2       *“Any reference in any provision of law to the poverty*  
 3 *line set forth in section 624 or 625 of the Economic Oppor-*  
 4 *tunity Act of 1964 shall be construed to be a reference to*  
 5 *the poverty line defined in section 673. Any reference in*  
 6 *any provision of law to any community action agency des-*  
 7 *ignated under title II of the Economic Opportunity Act of*  
 8 *1964 shall be construed to be a reference to an entity eligible*  
 9 *to receive funds under the community services block grant*  
 10 *program.”.*

11 **SEC. 202. CONFORMING AMENDMENTS.**

12       (a) *OLDER AMERICANS ACT OF 1965.—Section*  
 13 *306(a)(6)(E)(ii) of the Older Americans Act of 1965 (42*  
 14 *U.S.C. 3026(a)(6)(E)(ii)) is amended by striking “section*  
 15 *675(c)(3) of the Community Services Block Grant Act (42*  
 16 *U.S.C. 9904(c)(3))” and inserting “section 676B of the*  
 17 *Community Services Block Grant Act”.*

18       (b) *ANTI-DRUG ABUSE ACT OF 1988.—Section*  
 19 *3521(c)(2) of the Anti-Drug Abuse Act of 1988 (42 U.S.C.*  
 20 *11841(c)(2)) is amended by striking “, such as activities*  
 21 *authorized by section 681(a)(2)(F) of the Community Serv-*  
 22 *ices Block Grant Act (42 U.S.C. section 9910(a)(2)(F)),”.*

23 **SEC. 203. REPEALERS.**

24       (a) *COMMUNITY ECONOMIC DEVELOPMENT ACT OF*  
 25 *1981.—The Community Economic Development Act of*  
 26 *1981 (42 U.S.C. 9801 et seq.) is repealed.*

1       (b) *HUMAN SERVICES REAUTHORIZATION ACT OF*  
 2   1986.—Sections 407 and 408 of the Human Services Reau-  
 3   thorization Act of 1986 (42 U.S.C 9812a and 9910b) are  
 4   repealed.

5       ***TITLE III—LOW-INCOME HOME***  
 6               ***ENERGY ASSISTANCE***

7   ***SEC. 301. AUTHORIZATION.***

8       (a) *IN GENERAL.*—Section 2602(b) of the Low-Income  
 9   Home Energy Assistance Act of 1981 (42 U.S.C. 8621(b))  
 10   is amended—

11           (1) by striking “are authorized” and inserting  
 12       “is authorized”; and

13           (2) by striking “fiscal years 1995 through 1999”  
 14       and inserting “fiscal years 1999 through 2004”.

15       (b) *PROGRAM YEAR.*—Section 2602(c) of such Act (42  
 16   U.S.C. 8621(c)) is amended to read as follows:

17       “(c) Amounts appropriated under this section for any  
 18   fiscal year for programs and activities under this title shall  
 19   be made available for obligation in the succeeding fiscal  
 20   year.”.

21       (c) *INCENTIVE PROGRAM FOR LEVERAGING NON-FED-*  
 22   *ERAL RESOURCES.*—Section 2602(d) of such Act (42 U.S.C.  
 23   8621(d)) is amended—

24           (1) by striking “(d)” and inserting “(d)(1)”;

1           (2) by striking “are authorized” and inserting  
2           “is authorized”;

3           (3) by striking “\$50,000,000” and all that fol-  
4           lows and inserting the following: “\$30,000,000 for  
5           each of fiscal years 1999 through 2004, except as pro-  
6           vided in paragraph (2).”; and

7           (4) by adding at the end the following:

8           “(2) For any of fiscal years 1999 through 2004 for  
9           which the amount appropriated under subsection (b) is not  
10          less than \$1,400,000,000, there is authorized to be appro-  
11          priated \$50,000,000 to carry out section 2607A.”.

12          (d) *TECHNICAL AMENDMENTS.*—Section 2602(e) of  
13          such Act (42 U.S.C. 8621(e)) is amended—

14               (1) by striking “are authorized” and inserting  
15               “is authorized”; and

16               (2) by striking “subsection (g)” and inserting  
17               “subsection (e) of such section”.

18   **SEC. 302. DEFINITIONS.**

19          Section 2603(4) of the Low-Income Home Energy As-  
20          sistance Act of 1981 (42 U.S.C. 8622(4)) is amended—

21               (1) by striking “the term” and inserting “The  
22               term”; and

23               (2) by striking the semicolon and inserting a pe-  
24               riod.

1 **SEC. 303. NATURAL DISASTERS AND OTHER EMERGENCIES.**

2 *Section 2603 of the Low-Income Home Energy Assist-*  
3 *ance Act of 1981 (42 U.S.C. 8622) is amended—*

4 *(1) by redesignating paragraphs (6) through (9)*  
5 *as paragraphs (8) through (11), respectively;*

6 *(2) by inserting before paragraph (8) (as redesign-*  
7 *ated in paragraph (1)) the following:*

8 *“(7) NATURAL DISASTER.—The term ‘natural*  
9 *disaster’ means a weather event (relating to cold or*  
10 *hot weather), flood, earthquake, tornado, hurricane, or*  
11 *ice storm, or an event meeting such other criteria as*  
12 *the Secretary, in the discretion of the Secretary, may*  
13 *determine to be appropriate.”;*

14 *(3) by redesignating paragraphs (1) through (5)*  
15 *as paragraphs (2) through (6), respectively; and*

16 *(4) by inserting before paragraph (2) (as redesign-*  
17 *ated in paragraph (3)) the following:*

18 *“(1) EMERGENCY.—The term ‘emergency’ means—*

19 *“(A) a natural disaster;*

20 *“(B) a significant home energy supply shortage*  
21 *or disruption;*

22 *“(C) a significant increase in the cost of home*  
23 *energy, as determined by the Secretary;*

24 *“(D) a significant increase in home energy dis-*  
25 *connections reported by a utility, a State regulatory*  
26 *agency, or another agency with necessary data;*



1           “(E) a significant increase in participation in a  
 2           public benefit program such as the food stamp pro-  
 3           gram carried out under the Food Stamp Act of 1977  
 4           (7 U.S.C. 2011 et seq.), the national program to pro-  
 5           vide supplemental security income carried out under  
 6           title XVI of the Social Security Act (42 U.S.C. 1381  
 7           et seq.), or the State temporary assistance for needy  
 8           families program carried out under part A of title IV  
 9           of the Social Security Act (42 U.S.C. 601 et seq.), as  
 10          determined by the head of the appropriate Federal  
 11          agency;

12          “(F) a significant increase in unemployment,  
 13          layoffs, or the number of households with an individ-  
 14          ual applying for unemployment benefits, as deter-  
 15          mined by the Secretary of Labor; or

16          “(G) an event meeting such criteria as the Sec-  
 17          retary, in the discretion of the Secretary, may deter-  
 18          mine to be appropriate.”.

19   **SEC. 304. STATE ALLOTMENTS.**

20          Section 2604 of the Low-Income Home Energy Assist-  
 21          ance Act of 1981 (42 U.S.C. 8623) is amended—

22               (1) in subsection (b)(1), by striking “the North-  
 23               ern Mariana Islands, and the Trust Territory of the  
 24               Pacific Islands.” and inserting “the Commonwealth

1       *of the Northern Mariana Islands, and the combined*  
2       *Freely Associated States.”;*

3             *(2) in subsection (c)(3)(B)(ii), by striking “ap-*  
4       *plication” and inserting “applications”;*

5             *(3) by striking subsection (f);*

6             *(4) in subsection (g)—*

7                 *(A) in the first sentence, by striking “(a)*  
8       *through (f)” and inserting “(a) through (d)”;*  
9       *and*

10                *(B) by striking the last two sentences and*  
11       *inserting the following: “In determining whether*  
12       *to make such an allotment to a State, the Sec-*  
13       *retary shall take into account the extent to which*  
14       *the State was affected by the natural disaster or*  
15       *other emergency involved, the availability to the*  
16       *State of other resources under the program car-*  
17       *ried out under this title or any other program,*  
18       *whether a Member of Congress has requested that*  
19       *the State receive the allotment, and such other*  
20       *factors as the Secretary may find to be relevant.*  
21       *Not later than 30 days after making the deter-*  
22       *mination, but prior to releasing an allotted*  
23       *amount to a State, the Secretary shall notify*  
24       *Congress of the allotments made pursuant to this*  
25       *subsection.”; and*

1           (5) by redesignating subsection (g) as subsection  
2           (e).

3 **SEC. 305. ADMINISTRATION.**

4           Section 2605 of the Low-Income Home Energy Assist-  
5           ance Act of 1981 (42 U.S.C. 8624) is amended—

6           (1) in subsection (b)—

7                   (A) in paragraph (9)(A), by striking “and  
8                   not transferred pursuant to section 2604(f) for  
9                   use under another block grant”;

10                   (B) in paragraph (14), by striking “; and”  
11                   and inserting a semicolon;

12                   (C) in the matter following paragraph (14),  
13                   by striking “The Secretary may not prescribe the  
14                   manner in which the States will comply with the  
15                   provisions of this subsection.”; and

16                   (D) in the matter following paragraph (16),  
17                   by inserting before “The Secretary shall issue”  
18                   the following: “The Secretary may not prescribe  
19                   the manner in which the States will comply with  
20                   the provisions of this subsection.”; and

21           (2) in subsection (c)(1)—

22                   (A) in subparagraph (B), by striking  
23                   “States” and inserting “State”; and

24                   (B) in subparagraph (G)(i), by striking  
25                   “has” and inserting “had”.

1 **SEC. 306. PAYMENTS TO STATES.**

2        *Section 2607(b)(2)(B) of the Low-Income Home En-*  
 3 *ergy Assistance Act of 1981 (42 U.S.C. 8626(b)(2)(B)) is*  
 4 *amended—*

5            *(1) in the first sentence, by striking “and not*  
 6 *transferred pursuant to section 2604(f)”;* and

7            *(2) in the second sentence, by striking “but not*  
 8 *transferred by the State”.*

9 **SEC. 307. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE**  
 10 **OPTION.**

11        *(a) EVALUATION.—The Comptroller General of the*  
 12 *United States shall conduct an evaluation of the Residential*  
 13 *Energy Assistance Challenge program described in section*  
 14 *2607B of the Low-Income Home Energy Assistance Act of*  
 15 *1981 (42 U.S.C. 8626b).*

16        *(b) REPORT.—Not later than 2 years after the date*  
 17 *of enactment of this Act, the Comptroller General of the*  
 18 *United States shall prepare and submit to Congress a re-*  
 19 *port containing—*

20            *(1) the findings resulting from the evaluation de-*  
 21 *scribed in subsection (a); and*

22            *(2) the State evaluations described in para-*  
 23 *graphs (1) and (2) of subsection (b) of such section*  
 24 *2607B.*

25        *(c) INCENTIVE GRANTS.—Section 2607B(b)(1) of the*  
 26 *Low-Income Home Energy Assistance Act of 1981 (42*

1 *U.S.C. 8626b(b)(1)) is amended by striking “For each of*  
 2 *the fiscal years 1996 through 1999” and inserting “For*  
 3 *each fiscal year”.*

4 *(d) TECHNICAL AMENDMENTS.—Section 2607B of such*  
 5 *Act (42 U.S.C. 8626b) is amended—*

6 *(1) in subsection (e)(2)—*

7 *(A) by redesignating subparagraphs (F)*  
 8 *through (N) as subparagraphs (E) through (M),*  
 9 *respectively; and*

10 *(B) in clause (i) of subparagraph (I) (as re-*  
 11 *designated in subparagraph (A)), by striking*  
 12 *“on” and inserting “of”; and*

13 *(2) by redesignating subsection (g) as subsection*  
 14 *(f).*

15 **SEC. 308. TECHNICAL ASSISTANCE, TRAINING, AND COMPLI-**  
 16 **ANCE REVIEWS.**

17 *(a) IN GENERAL.—Section 2609A(a) of the Low-In-*  
 18 *come Home Energy Assistance Act of 1981 (42 U.S.C.*  
 19 *8628a(a)) is amended—*

20 *(1) in the matter preceding paragraph (1)—*

21 *(A) by striking “\$250,000” and inserting*  
 22 *“\$300,000”; and*

23 *(B) by striking “Secretary—” and inserting*  
 24 *“Secretary to conduct onsite compliance reviews*

1           *of programs supported under this title or—*;  
 2           *and*

3           *(2) in paragraph (2)—*

4                   *(A) by inserting “or interagency agree-*  
 5                   *ments” after “cooperative arrangements”; and*

6                   *(B) by inserting “(including Federal agen-*  
 7                   *cies)” after “public agencies”.*

8           *(b) CONFORMING AMENDMENT.—The section heading*  
 9           *of section 2609A of such Act (42 U.S.C. 8628a) is amended*  
 10          *to read as follows:*

11          *“TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE*  
 12   *REVIEWS”.*

13                                   ***TITLE IV—ASSETS FOR***  
 14                                   ***INDEPENDENCE***

15          ***SEC. 401. SHORT TITLE.***

16           *This title may be cited as the “Assets for Independence*  
 17          *Act”.*

18          ***SEC. 402. FINDINGS.***

19           *Congress makes the following findings:*

20                   *(1) Economic well-being does not come solely*  
 21                   *from income, spending, and consumption, but also re-*  
 22                   *quires savings, investment, and accumulation of as-*  
 23                   *sets because assets can improve economic independ-*  
 24                   *ence and stability, connect individuals with a viable*  
 25                   *and hopeful future, stimulate development of human*

1        *and other capital, and enhance the welfare of off-*  
2        *spring.*

3            (2) *Fully 1/2 of all Americans have either no,*  
4        *negligible, or negative assets available for investment,*  
5        *just as the price of entry to the economic mainstream,*  
6        *the cost of a house, an adequate education, and start-*  
7        *ing a business, is increasing. Further, the household*  
8        *savings rate of the United States lags far behind other*  
9        *industrial nations, presenting a barrier to economic*  
10       *growth.*

11           (3) *In the current tight fiscal environment, the*  
12        *United States should invest existing resources in high-*  
13        *yield initiatives. There is reason to believe that the fi-*  
14        *nancial returns, including increased income, tax reve-*  
15        *nue, and decreased welfare cash assistance, resulting*  
16        *from individual development accounts will far exceed*  
17        *the cost of investment in those accounts.*

18           (4) *Traditional public assistance programs con-*  
19        *centrating on income and consumption have rarely*  
20        *been successful in promoting and supporting the tran-*  
21        *sition to increased economic self-sufficiency. Income-*  
22        *based domestic policy should be complemented with*  
23        *asset-based policy because, while income-based policies*  
24        *ensure that consumption needs (including food, child*  
25        *care, rent, clothing, and health care) are met, asset-*

1       *based policies provide the means to achieve greater*  
2       *independence and economic well-being.*

3   **SEC. 403. PURPOSES.**

4       *The purposes of this title are to provide for the estab-*  
5       *lishment of demonstration projects designed to determine—*

6           *(1) the social, civic, psychological, and economic*  
7       *effects of providing to individuals and families with*  
8       *limited means an incentive to accumulate assets by*  
9       *saving a portion of their earned income;*

10          *(2) the extent to which an asset-based policy that*  
11       *promotes saving for postsecondary education, home-*  
12       *ownership, and microenterprise development may be*  
13       *used to enable individuals and families with limited*  
14       *means to increase their economic self-sufficiency; and*

15          *(3) the extent to which an asset-based policy sta-*  
16       *bilizes and improves families and the community in*  
17       *which they live.*

18   **SEC. 404. DEFINITIONS.**

19       *In this title:*

20          *(1) APPLICABLE PERIOD.—The term “applicable*  
21       *period” means, with respect to amounts to be paid*  
22       *from a grant made for a project year, the calendar*  
23       *year immediately preceding the calendar year in*  
24       *which the grant is made.*



1           (2) *ELIGIBLE INDIVIDUAL.*—*The term “eligible*  
2           *individual” means an individual who is selected to*  
3           *participate by a qualified entity under section 409.*

4           (3) *EMERGENCY WITHDRAWAL.*—*The term*  
5           *“emergency withdrawal” means a withdrawal by an*  
6           *eligible individual that—*

7                   (A) *is a withdrawal of only those funds, or*  
8                   *a portion of those funds, deposited by the indi-*  
9                   *vidual in the individual development account of*  
10                  *the individual;*

11                  (B) *is permitted by a qualified entity on a*  
12                  *case-by-case basis; and*

13                  (C) *is made for—*

14                   (i) *expenses for medical care or nec-*  
15                   *essary to obtain medical care, for the indi-*  
16                   *vidual or a spouse or dependent of the indi-*  
17                   *vidual described in paragraph (8)(D);*

18                   (ii) *payments necessary to prevent the*  
19                   *eviction of the individual from the residence*  
20                   *of the individual, or foreclosure on the mort-*  
21                   *gage for the principal residence of the indi-*  
22                   *vidual, as defined in paragraph (8)(B); or*

23                   (iii) *payments necessary to enable the*  
24                   *individual to meet necessary living expenses*  
25                   *following loss of employment.*

1           (4) *HOUSEHOLD.*—*The term “household” means*  
2           *all individuals who share use of a dwelling unit as*  
3           *primary quarters for living and eating separate from*  
4           *other individuals.*

5           (5) *INDIVIDUAL DEVELOPMENT ACCOUNT.*—

6           (A) *IN GENERAL.*—*The term “individual*  
7           *development account” means a trust created or*  
8           *organized in the United States exclusively for the*  
9           *purpose of paying the qualified expenses of an el-*  
10           *igible individual, or enabling the eligible indi-*  
11           *vidual to make an emergency withdrawal, but*  
12           *only if the written governing instrument creat-*  
13           *ing the trust meets the following requirements:*

14                   (i) *No contribution will be accepted*  
15                   *unless it is in cash or by check.*

16                   (ii) *The trustee is a federally insured*  
17                   *financial institution, or a State insured fi-*  
18                   *nancial institution if no federally insured*  
19                   *financial institution is available.*

20                   (iii) *The assets of the trust will be in-*  
21                   *vested in accordance with the direction of*  
22                   *the eligible individual after consultation*  
23                   *with the qualified entity providing deposits*  
24                   *for the individual under section 410.*

1           (iv) *The assets of the trust will not be*  
2           *commingled with other property except in a*  
3           *common trust fund or common investment*  
4           *fund.*

5           (v) *Except as provided in clause (vi),*  
6           *any amount in the trust which is attrib-*  
7           *utable to a deposit provided under section*  
8           *410 may be paid or distributed out of the*  
9           *trust only for the purpose of paying the*  
10          *qualified expenses of the eligible individual,*  
11          *or enabling the eligible individual to make*  
12          *an emergency withdrawal.*

13          (vi) *Any balance in the trust on the*  
14          *day after the date on which the individual*  
15          *for whose benefit the trust is established dies*  
16          *shall be distributed within 30 days of that*  
17          *date as directed by that individual to an-*  
18          *other individual development account estab-*  
19          *lished for the benefit of an eligible individ-*  
20          *ual.*

21          (B) *CUSTODIAL ACCOUNTS.—For purposes*  
22          *of subparagraph (A), a custodial account shall be*  
23          *treated as a trust if the assets of the custodial ac-*  
24          *count are held by a bank (as defined in section*  
25          *408(n) of the Internal Revenue Code of 1986) or*

another person who demonstrates, to the satisfaction of the Secretary, that the manner in which such person will administer the custodial account will be consistent with the requirements of this title, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subparagraph (A). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of that custodial account shall be treated as the trustee thereof.

(6) *PROJECT YEAR*.—The term “project year” means, with respect to a demonstration project, any of the 4 consecutive 12-month periods beginning on the date the project is originally authorized to be conducted.

(7) *QUALIFIED ENTITY*.—

(A) *IN GENERAL*.—The term “qualified entity” means—

(i) one or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code; or

1                   (ii) a State or local government agen-  
 2                   cy, or a tribal government, submitting an  
 3                   application under section 405 jointly with  
 4                   an organization described in clause (i).

5                   (B) *RULE OF CONSTRUCTION.*—Nothing in  
 6                   this paragraph shall be construed as preventing  
 7                   an organization described in subparagraph  
 8                   (A)(i) from collaborating with a financial insti-  
 9                   tution or for-profit community development cor-  
 10                  poration to carry out the purposes of this title.

11                  (8) *QUALIFIED EXPENSES.*—The term “qualified  
 12                  expenses” means one or more of the following, as pro-  
 13                  vided by the qualified entity:

14                  (A) *POSTSECONDARY EDUCATIONAL EX-*  
 15                  *PENSES.*—Postsecondary educational expenses  
 16                  paid from an individual development account  
 17                  directly to an eligible educational institution. In  
 18                  this subparagraph:

19                       (i) *POSTSECONDARY EDUCATIONAL EX-*  
 20                       *PENSES.*—The term “postsecondary edu-  
 21                       cational expenses” means the following:

22                               (I) *TUITION AND FEES.*—Tuition  
 23                               and fees required for the enrollment or  
 24                               attendance of a student at an eligible  
 25                               educational institution.

1                   (II) *FEES, BOOKS, SUPPLIES, AND*  
2                   *EQUIPMENT.—Fees, books, supplies,*  
3                   *and equipment required for courses of*  
4                   *instruction at an eligible educational*  
5                   *institution.*

6                   (ii) *ELIGIBLE EDUCATIONAL INSTITU-*  
7                   *TION.—The term “eligible educational insti-*  
8                   *tution” means the following:*

9                   (I) *INSTITUTION OF HIGHER EDU-*  
10                  *CATION.—An institution described in*  
11                  *section 481(a)(1) or 1201(a) of the*  
12                  *Higher Education Act of 1965 (20*  
13                  *U.S.C. 1088(a)(1) or 1141(a)), as such*  
14                  *sections are in effect on the date of en-*  
15                  *actment of this title.*

16                  (II) *POSTSECONDARY VOCATIONAL*  
17                  *EDUCATION SCHOOL.—An area voca-*  
18                  *tional education school (as defined in*  
19                  *subparagraph (C) or (D) of section*  
20                  *521(4) of the Carl D. Perkins Voca-*  
21                  *tional and Applied Technology Edu-*  
22                  *cation Act (20 U.S.C. 2471(4))) which*  
23                  *is in any State (as defined in section*  
24                  *521(33) of such Act), as such sections*

1                   are in effect on the date of enactment  
2                   of this title.

3                   (B) *FIRST-HOME PURCHASE.*—Qualified ac-  
4                   quisition costs with respect to a principal resi-  
5                   dence for a qualified first-time homebuyer, if  
6                   paid from an individual development account  
7                   directly to the persons to whom the amounts are  
8                   due. In this subparagraph:

9                   (i) *PRINCIPAL RESIDENCE.*—The term  
10                  “principal residence” means a principal  
11                  residence, the qualified acquisition costs of  
12                  which do not exceed 100 percent of the aver-  
13                  age area purchase price applicable to such  
14                  residence.

15                  (ii) *QUALIFIED ACQUISITION COSTS.*—  
16                  The term “qualified acquisition costs”  
17                  means the costs of acquiring, constructing,  
18                  or reconstructing a residence. The term in-  
19                  cludes any usual or reasonable settlement,  
20                  financing, or other closing costs.

21                  (iii) *QUALIFIED FIRST-TIME HOME-*  
22                  *BUYER.*—

23                  (I) *IN GENERAL.*—The term  
24                  “qualified first-time homebuyer”  
25                  means an individual participating in

1           the project (and, if married, the indi-  
 2           vidual's spouse) who has no present  
 3           ownership interest in a principal resi-  
 4           dence during the 3-year period ending  
 5           on the date of acquisition of the prin-  
 6           cipal residence to which this subpara-  
 7           graph applies.

8                   (II) *DATE OF ACQUISITION.*—The  
 9           term “date of acquisition” means the  
 10          date on which a binding contract to  
 11          acquire, construct, or reconstruct the  
 12          principal residence to which this sub-  
 13          paragraph applies is entered into.

14                  (C) *BUSINESS CAPITALIZATION.*—Amounts  
 15          paid from an individual development account  
 16          directly to a business capitalization account  
 17          which is established in a federally insured finan-  
 18          cial institution and is restricted to use solely for  
 19          qualified business capitalization expenses. In this  
 20          subparagraph:

21                   (i) *QUALIFIED BUSINESS CAPITALIZA-*  
 22                  *TION EXPENSES.*—The term “qualified busi-  
 23                  ness capitalization expenses” means quali-  
 24                  fied expenditures for the capitalization of a



1           *qualified business pursuant to a qualified*  
 2           *plan.*

3           (ii) *QUALIFIED EXPENDITURES.*—*The*  
 4           *term “qualified expenditures” means ex-*  
 5           *penditures included in a qualified plan, in-*  
 6           *cluding capital, plant, equipment, working*  
 7           *capital, and inventory expenses.*

8           (iii) *QUALIFIED BUSINESS.*—*The term*  
 9           *“qualified business” means any business*  
 10           *that does not contravene any law or public*  
 11           *policy (as determined by the Secretary).*

12           (iv) *QUALIFIED PLAN.*—*The term*  
 13           *“qualified plan” means a business plan, or*  
 14           *a plan to use a business asset purchased,*  
 15           *which—*

16                   *(I) is approved by a financial in-*  
 17                   *stitution, a microenterprise develop-*  
 18                   *ment organization, or a nonprofit loan*  
 19                   *fund having demonstrated fiduciary*  
 20                   *integrity;*

21                   *(II) includes a description of serv-*  
 22                   *ices or goods to be sold, a marketing*  
 23                   *plan, and projected financial state-*  
 24                   *ments; and*

1                   (III) may require the eligible in-  
 2                   dividual to obtain the assistance of an  
 3                   experienced entrepreneurial adviser.

4                   (D) TRANSFERS TO IDAS OF FAMILY MEM-  
 5                   BERS.—Amounts paid from an individual devel-  
 6                   opment account directly into another such ac-  
 7                   count established for the benefit of an eligible in-  
 8                   dividual who is—

9                   (i) the individual's spouse; or

10                  (ii) any dependent of the individual  
 11                  with respect to whom the individual is al-  
 12                  lowed a deduction under section 151 of the  
 13                  Internal Revenue Code of 1986.

14                  (9) QUALIFIED SAVINGS OF THE INDIVIDUAL FOR  
 15                  THE PERIOD.—The term “qualified savings of the in-  
 16                  dividual for the period” means the aggregate of the  
 17                  amounts contributed by the individual to the individ-  
 18                  ual development account of the individual during the  
 19                  period.

20                  (10) SECRETARY.—The term “Secretary” means  
 21                  the Secretary of Health and Human Services.

22                  (11) TRIBAL GOVERNMENT.—The term “tribal  
 23                  government” means a tribal organization, as defined  
 24                  in section 4 of the Indian Self-Determination and  
 25                  Education Assistance Act (25 U.S.C. 450b) or a Na-

1        *tive Hawaiian organization, as defined in section*  
 2        *9212 of the Native Hawaiian Education Act (20*  
 3        *U.S.C. 7912).*

4    **SEC. 405. APPLICATIONS.**

5        (a)        *ANNOUNCEMENT        OF        DEMONSTRATION*  
 6    *PROJECTS.—Not later than 3 months after the date of en-*  
 7    *actment of this title, the Secretary shall publicly announce*  
 8    *the availability of funding under this title for demonstra-*  
 9    *tion projects and shall ensure that applications to conduct*  
 10   *the demonstration projects are widely available to qualified*  
 11   *entities.*

12        (b) *SUBMISSION.—Not later than 6 months after the*  
 13   *date of enactment of this title, a qualified entity may sub-*  
 14   *mit to the Secretary an application to conduct a dem-*  
 15   *onstration project under this title.*

16        (c) *CRITERIA.—In considering whether to approve an*  
 17   *application to conduct a demonstration project under this*  
 18   *title, the Secretary shall assess the following:*

19                (1) *SUFFICIENCY OF PROJECT.—The degree to*  
 20        *which the project described in the application appears*  
 21        *likely to aid project participants in achieving eco-*  
 22        *nomie self-sufficiency through activities requiring*  
 23        *qualified expenses. In making such assessment, the*  
 24        *Secretary shall consider the overall quality of project*  
 25        *activities in making any particular kind or combina-*

1        *tion of qualified expenses to be an essential feature of*  
 2        *any project.*

3            (2) *ADMINISTRATIVE ABILITY.*—*The experience*  
 4        *and ability of the applicant to responsibly administer*  
 5        *the project.*

6            (3) *ABILITY TO ASSIST PARTICIPANTS.*—*The ex-*  
 7        *perience and ability of the applicant in recruiting,*  
 8        *educating, and assisting project participants to in-*  
 9        *crease their economic independence and general well-*  
 10       *being through the development of assets.*

11           (4) *COMMITMENT OF NON-FEDERAL FUNDS.*—*The*  
 12        *aggregate amount of direct funds from non-Federal*  
 13        *public sector and from private sources that are for-*  
 14        *mally committed to the project as matching contribu-*  
 15        *tions.*

16           (5) *ADEQUACY OF PLAN FOR PROVIDING INFOR-*  
 17        *MATION FOR EVALUATION.*—*The adequacy of the plan*  
 18        *for providing information relevant to an evaluation*  
 19        *of the project.*

20           (6) *OTHER FACTORS.*—*Such other factors rel-*  
 21        *evant to the purposes of this title as the Secretary*  
 22        *may specify.*

23           (d) *PREFERENCES.*—*In considering an application to*  
 24        *conduct a demonstration project under this title, the Sec-*  
 25        *retary shall give preference to an application that—*

1           (1) *demonstrates the willingness and ability to*  
 2           *select individuals described in section 408 who are*  
 3           *predominantly from households in which a child (or*  
 4           *children) is living with the child's biological or adop-*  
 5           *tive mother or father, or with the child's legal guard-*  
 6           *ian;*

7           (2) *provides a commitment of non-Federal funds*  
 8           *with a proportionately greater amount of such funds*  
 9           *committed by private sector sources; and*

10          (3) *targets such individuals residing within one*  
 11          *or more relatively well-defined neighborhoods or com-*  
 12          *munities (including rural communities) that experi-*  
 13          *ence high rates of poverty or unemployment.*

14          (e) *APPROVAL.*—*Not later than 9 months after the date*  
 15          *of enactment of this title, the Secretary shall, on a competi-*  
 16          *tive basis, approve such applications to conduct demonstra-*  
 17          *tion projects under this title as the Secretary deems appro-*  
 18          *priate, taking into account the assessments required by sub-*  
 19          *sections (c) and (d). The Secretary is encouraged to ensure*  
 20          *that the applications that are approved involve a range of*  
 21          *communities (both rural and urban) and diverse popu-*  
 22          *lations.*

23          (f) *CONTRACTS WITH NONPROFIT ENTITIES.*—*The*  
 24          *Secretary may contract with an entity described in section*  
 25          *501(c)(3) of the Internal Revenue Code of 1986 and exempt*

1 *from taxation under section 501(a) of such Code to carry*  
 2 *out any responsibility of the Secretary under this section*  
 3 *or section 412 if—*

4           (1) *such entity demonstrates the ability to carry*  
 5 *out such responsibility; and*

6           (2) *the Secretary can demonstrate that such re-*  
 7 *sponsibility would not be carried out by the Secretary*  
 8 *at a lower cost.*

9 **SEC. 406. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.**

10       (a) *DEMONSTRATION AUTHORITY.—If the Secretary*  
 11 *approves an application to conduct a demonstration project*  
 12 *under this title, the Secretary shall, not later than 10*  
 13 *months after the date of enactment of this title, authorize*  
 14 *the applicant to conduct the project for 4 project years in*  
 15 *accordance with the approved application and the require-*  
 16 *ments of this title.*

17       (b) *GRANT AUTHORITY.—For each project year of a*  
 18 *demonstration project conducted under this title, the Sec-*  
 19 *retary may make a grant to the qualified entity authorized*  
 20 *to conduct the project. In making such a grant, the Sec-*  
 21 *retary shall make the grant on the first day of the project*  
 22 *year in an amount not to exceed the lesser of—*

23           (1) *the aggregate amount of funds committed as*  
 24 *matching contributions by non-Federal public or pri-*  
 25 *vate sector sources; or*

1           (2) \$1,000,000.

2   **SEC. 407. RESERVE FUND.**

3           (a) *ESTABLISHMENT*.—A qualified entity under this  
4 title, other than a State or local government agency, or a  
5 tribal government, shall establish a Reserve Fund which  
6 shall be maintained in accordance with this section.

7           (b) *AMOUNTS IN RESERVE FUND*.—

8           (1) *IN GENERAL*.—As soon after receipt as is  
9 practicable, a qualified entity shall deposit in the Re-  
10 serve Fund established under subsection (a)—

11                   (A) all funds provided to the qualified en-  
12 tity by any public or private source in connec-  
13 tion with the demonstration project; and

14                   (B) the proceeds from any investment made  
15 under subsection (c)(2).

16           (2) *UNIFORM ACCOUNTING REGULATIONS*.—The  
17 Secretary shall prescribe regulations with respect to  
18 accounting for amounts in the Reserve Fund estab-  
19 lished under subsection (a).

20           (c) *USE OF AMOUNTS IN THE RESERVE FUND*.—

21           (1) *IN GENERAL*.—A qualified entity shall use  
22 the amounts in the Reserve Fund established under  
23 subsection (a) to—

24                   (A) assist participants in the demonstration  
25 project in obtaining the skills (including eco-

1        *nomie literacy, budgeting, credit, and counsel-*  
2        *ing) and information necessary to achieve eco-*  
3        *nomie self-sufficiency through activities requir-*  
4        *ing qualified expenses;*

5                *(B) provide deposits in accordance with sec-*  
6        *tion 410 for individuals selected by the qualified*  
7        *entity to participate in the demonstration*  
8        *project;*

9                *(C) administer the demonstration project;*  
10        *and*

11                *(D) provide the research organization evalu-*  
12        *ating the demonstration project under section*  
13        *414 with such information with respect to the*  
14        *demonstration project as may be required for the*  
15        *evaluation.*

16        *(2) AUTHORITY TO INVEST FUNDS.—*

17                *(A) GUIDELINES.—The Secretary shall es-*  
18        *tablish guidelines for investing amounts in the*  
19        *Reserve Fund established under subsection (a) in*  
20        *a manner that provides an appropriate balance*  
21        *between return, liquidity, and risk.*

22                *(B) INVESTMENT.—A qualified entity shall*  
23        *invest the amounts in its Reserve Fund that are*  
24        *not immediately needed to carry out the provi-*



1           sions of paragraph (1), in accordance with the  
2           guidelines established under subparagraph (A).

3           (3) *LIMITATION ON USES.*—Not more than 9.5  
4           percent of the amounts provided to a qualified entity  
5           under section 406(b) shall be used by the qualified en-  
6           tity for the purposes described in subparagraphs (A),  
7           (C), and (D) of paragraph (1), of which not less than  
8           2 percent of the amounts shall be used by the quali-  
9           fied entity for the purposes described in paragraph  
10          (1)(D). If two or more qualified entities are jointly  
11          administering a project, no qualified entity shall use  
12          more than its proportional share for the purposes de-  
13          scribed in subparagraphs (A), (C), and (D) of para-  
14          graph (1).

15          (d) *UNUSED FEDERAL GRANT FUNDS TRANSFERRED*  
16 *TO THE SECRETARY WHEN PROJECT TERMINATES.*—Not-  
17 *withstanding subsection (c), upon the termination of any*  
18 *demonstration project authorized under this section, the*  
19 *qualified entity conducting the project shall transfer to the*  
20 *Secretary an amount equal to—*

21               (1) *the amounts in its Reserve Fund at time of*  
22               *the termination; multiplied by*

23               (2) *a percentage equal to—*

1                   (A) the aggregate amount of grants made to  
 2                   the qualified entity under section 406(b); divided  
 3                   by

4                   (B) the aggregate amount of all funds pro-  
 5                   vided to the qualified entity by all sources to  
 6                   conduct the project.

7   **SEC. 408. ELIGIBILITY FOR PARTICIPATION.**

8           (a) *IN GENERAL.*—Any individual who is a member  
 9   of a household that is eligible for assistance under the State  
 10 temporary assistance for needy families program estab-  
 11 lished under part A of title IV of the Social Security Act  
 12 (42 U.S.C. 601 et seq.), or that meets each of the following  
 13 requirements shall be eligible to participate in a demonstra-  
 14 tion project conducted under this title:

15           (1) *INCOME TEST.*—The adjusted gross income of  
 16 the household does not exceed the earned income  
 17 amount described in section 32 of the Internal Reve-  
 18 nue Code of 1986 (taking into account the size of the  
 19 household).

20           (2) *NET WORTH TEST.*—

21           (A) *IN GENERAL.*—The net worth of the  
 22 household, as of the end of the calendar year pre-  
 23 ceding the determination of eligibility, does not  
 24 exceed \$10,000.

1                   (B) *DETERMINATION OF NET WORTH.*—For  
2                   purposes of subparagraph (A), the net worth of  
3                   a household is the amount equal to—

4                   (i) the aggregate market value of all  
5                   assets that are owned in whole or in part  
6                   by any member of the household; minus

7                   (ii) the obligations or debts of any  
8                   member of the household.

9                   (C) *EXCLUSIONS.*—For purposes of deter-  
10                  mining the net worth of a household, a house-  
11                  hold's assets shall not be considered to include  
12                  the primary dwelling unit and one motor vehicle  
13                  owned by the household.

14               (b) *INDIVIDUALS UNABLE TO COMPLETE THE*  
15               *PROJECT.*—The Secretary shall establish such regulations  
16               as are necessary, including prohibiting future eligibility to  
17               participate in any other demonstration project conducted  
18               under this title, to ensure compliance with this title if an  
19               individual participating in the demonstration project  
20               moves from the community in which the project is con-  
21               ducted or is otherwise unable to continue participating in  
22               that project.

1 **SEC. 409. SELECTION OF INDIVIDUALS TO PARTICIPATE.**

2 *From among the individuals eligible to participate in*  
 3 *a demonstration project conducted under this title, each*  
 4 *qualified entity shall select the individuals—*

5 *(1) that the qualified entity deems to be best*  
 6 *suited to participate; and*

7 *(2) to whom the qualified entity will provide de-*  
 8 *posits in accordance with section 410.*

9 **SEC. 410. DEPOSITS BY QUALIFIED ENTITIES.**

10 *(a) IN GENERAL.—Not less than once every 3 months*  
 11 *during each project year, each qualified entity under this*  
 12 *title shall deposit in the individual development account of*  
 13 *each individual participating in the project, or into a par-*  
 14 *allel account maintained by the qualified entity—*

15 *(1) from the non-Federal funds described in sec-*  
 16 *tion 405(c)(4), a matching contribution of not less*  
 17 *than \$0.50 and not more than \$4 for every \$1 of*  
 18 *earned income (as defined in section 911(d)(2) of the*  
 19 *Internal Revenue Code of 1986) deposited in the ac-*  
 20 *count by a project participant during that period;*

21 *(2) from the grant made under section 406(b),*  
 22 *an amount equal to the matching contribution made*  
 23 *under paragraph (1); and*

24 *(3) any interest that has accrued on amounts de-*  
 25 *posited under paragraph (1) or (2) on behalf of that*  
 26 *individual into the individual development account of*

1        *the individual or into a parallel account maintained*  
2        *by the qualified entity.*

3        *(b) LIMITATION ON DEPOSITS FOR AN INDIVIDUAL.—*

4        *Not more than \$2,000 from a grant made under section*  
5        *406(b) shall be provided to any one individual over the*  
6        *course of the demonstration project.*

7        *(c) LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—*

8        *Not more than \$4,000 from a grant made under section*  
9        *406(b) shall be provided to any one household over the*  
10       *course of the demonstration project.*

11       *(d) WITHDRAWAL OF FUNDS.—The Secretary shall es-*

12       *tablish such guidelines as may be necessary to ensure that*  
13       *funds held in an individual development account are not*  
14       *withdrawn, except for one or more qualified expenses, or*  
15       *for an emergency withdrawal. Such guidelines shall include*  
16       *a requirement that a responsible official of the qualified en-*  
17       *tity conducting a project approve such withdrawal in writ-*  
18       *ing. The guidelines shall provide that no individual may*  
19       *withdraw funds from an individual development account*  
20       *earlier than 6 months after the date on which the individual*  
21       *first deposits funds in the account.*

22       *(e) REIMBURSEMENT.—An individual shall reimburse*

23       *an individual development account for any funds with-*  
24       *drawn from the account for an emergency withdrawal, not*  
25       *later than 12 months after the date of the withdrawal. If*

1 *the individual fails to make the reimbursement, the quali-*  
 2 *fied entity administering the account shall transfer the*  
 3 *funds deposited into the account or a parallel account under*  
 4 *section 410 to the Reserve Fund of the qualified entity, and*  
 5 *use the funds to benefit other individuals participating in*  
 6 *the demonstration project involved.*

7 **SEC. 411. LOCAL CONTROL OVER DEMONSTRATION**  
 8 **PROJECTS.**

9 *A qualified entity under this title, other than a State*  
 10 *or local government agency or a tribal government, shall,*  
 11 *subject to the provisions of section 413, have sole authority*  
 12 *over the administration of the project. The Secretary may*  
 13 *prescribe only such regulations or guidelines with respect*  
 14 *to demonstration projects conducted under this title as are*  
 15 *necessary to ensure compliance with the approved applica-*  
 16 *tions and the requirements of this title.*

17 **SEC. 412. ANNUAL PROGRESS REPORTS.**

18 *(a) IN GENERAL.—Each qualified entity under this*  
 19 *title shall prepare an annual report on the progress of the*  
 20 *demonstration project. Each report shall include both pro-*  
 21 *gram and participant information and shall specify for the*  
 22 *period covered by the report the following information:*

23 *(1) The number of individuals making a deposit*  
 24 *into an individual development account.*

1           (2) *The amounts in the Reserve Fund established*  
2           *with respect to the project.*

3           (3) *The amounts deposited in the individual de-*  
4           *velopment accounts.*

5           (4) *The amounts withdrawn from the individual*  
6           *development accounts and the purposes for which such*  
7           *amounts were withdrawn.*

8           (5) *The balances remaining in the individual de-*  
9           *velopment accounts.*

10          (6) *The savings account characteristics (such as*  
11          *threshold amounts and match rates) required to stim-*  
12          *ulate participation in the demonstration project, and*  
13          *how such characteristics vary among different popu-*  
14          *lations or communities.*

15          (7) *What service configurations of the qualified*  
16          *entity (such as peer support, structured planning ex-*  
17          *ercises, mentoring, and case management) increased*  
18          *the rate and consistency of participation in the dem-*  
19          *onstration project and how such configurations varied*  
20          *among different populations or communities.*

21          (8) *Such other information as the Secretary may*  
22          *require to evaluate the demonstration project.*

23          (b) *SUBMISSION OF REPORTS.—The qualified entity*  
24          *shall submit each report required to be prepared under sub-*  
25          *section (a) to—*

1           (1) *the Secretary; and*

2           (2) *the Treasurer (or equivalent official) of the*  
 3           *State in which the project is conducted, if the State*  
 4           *or a local government or a tribal government commit-*  
 5           *ted funds to the demonstration project.*

6           (c) *TIMING.*—*The first report required by subsection*  
 7           *(a) shall be submitted not later than 60 days after the end*  
 8           *of the calendar year in which the Secretary authorized the*  
 9           *qualified entity to conduct the demonstration project, and*  
 10          *subsequent reports shall be submitted every 12 months there-*  
 11          *after, until the conclusion of the project.*

12   **SEC. 413. SANCTIONS.**

13          (a) *AUTHORITY TO TERMINATE DEMONSTRATION*  
 14          *PROJECT.*—*If the Secretary determines that a qualified en-*  
 15          *tity under this title is not operating the demonstration*  
 16          *project in accordance with the entity's application or the*  
 17          *requirements of this title (and has not implemented any*  
 18          *corrective recommendations directed by the Secretary), the*  
 19          *Secretary shall terminate such entity's authority to conduct*  
 20          *the demonstration project.*

21          (b) *ACTIONS REQUIRED UPON TERMINATION.*—*If the*  
 22          *Secretary terminates the authority to conduct a demonstra-*  
 23          *tion project, the Secretary—*

24               (1) *shall suspend the demonstration project;*



1           (2) *shall take control of the Reserve Fund estab-*  
2           *lished pursuant to section 407;*

3           (3) *shall make every effort to identify another*  
4           *qualified entity (or entities) willing and able to con-*  
5           *duct the project in accordance with the approved ap-*  
6           *plication (or, as modified, if necessary to incorporate*  
7           *the recommendations) and the requirements of this*  
8           *title;*

9           (4) *shall, if the Secretary identifies an entity (or*  
10          *entities) described in paragraph (3)—*

11                (A) *authorize the entity (or entities) to con-*  
12                *duct the project in accordance with the approved*  
13                *application (or, as modified, if necessary, to in-*  
14                *corporate the recommendations) and the require-*  
15                *ments of this title;*

16                (B) *transfer to the entity (or entities) con-*  
17                *trol over the Reserve Fund established pursuant*  
18                *to section 407; and*

19                (C) *consider, for purposes of this title—*

20                       (i) *such other entity (or entities) to be*  
21                       *the qualified entity (or entities) originally*  
22                       *authorized to conduct the demonstration*  
23                       *project; and*

24                       (ii) *the date of such authorization to be*  
25                       *the date of the original authorization; and*

1           (5) *if, by the end of the 1-year period beginning*  
 2           *on the date of the termination, the Secretary has not*  
 3           *found a qualified entity (or entities) described in*  
 4           *paragraph (3), shall—*

5                     (A) *terminate the project; and*

6                     (B) *from the amount remaining in the Re-*  
 7           *serve Fund established as part of the project,*  
 8           *remit to each source that provided funds under*  
 9           *section 405(c)(4) to the entity originally author-*  
 10          *ized to conduct the project, an amount that bears*  
 11          *the same ratio to the amount so remaining as*  
 12          *the amount provided by the source under section*  
 13          *405(c)(4) bears to the amount provided by all*  
 14          *such sources under that section.*

15 **SEC. 414. EVALUATIONS.**

16          (a) *IN GENERAL.*—*Not later than 10 months after the*  
 17          *date of enactment of this title, the Secretary shall enter into*  
 18          *a contract with an independent research organization to*  
 19          *evaluate, individually and as a group, all qualified entities*  
 20          *and sources participating in the demonstration projects*  
 21          *conducted under this title.*

22          (b) *FACTORS TO EVALUATE.*—*In evaluating any dem-*  
 23          *onstration project conducted under this title, the research*  
 24          *organization shall address the following factors:*

1           (1) *The effects of incentives and organizational*  
2           *or institutional support on savings behavior in the*  
3           *demonstration project.*

4           (2) *The savings rates of individuals in the dem-*  
5           *onstration project based on demographic characteris-*  
6           *tics including gender, age, family size, race or ethnic*  
7           *background, and income.*

8           (3) *The economic, civic, psychological, and social*  
9           *effects of asset accumulation, and how such effects*  
10          *vary among different populations or communities.*

11          (4) *The effects of individual development ac-*  
12          *counts on savings rates, homeownership, level of post-*  
13          *secondary education attained, and self-employment,*  
14          *and how such effects vary among different popu-*  
15          *lations or communities.*

16          (5) *The potential financial returns to the Federal*  
17          *Government and to other public sector and private*  
18          *sector investors in individual development accounts*  
19          *over a 5-year and 10-year period of time.*

20          (6) *The lessons to be learned from the demonstra-*  
21          *tion projects conducted under this title and if a per-*  
22          *manent program of individual development accounts*  
23          *should be established.*

24          (7) *Such other factors as may be prescribed by*  
25          *the Secretary.*

1       (c) *METHODOLOGICAL REQUIREMENTS.*—*In evaluat-*  
 2 *ing any demonstration project conducted under this title,*  
 3 *the research organization shall—*

4           (1) *for at least one site, use control groups to*  
 5 *compare participants with nonparticipants;*

6           (2) *before, during, and after the project, obtain*  
 7 *such quantitative data as are necessary to evaluate*  
 8 *the project thoroughly; and*

9           (3) *develop a qualitative assessment, derived*  
 10 *from sources such as in-depth interviews, of how asset*  
 11 *accumulation affects individuals and families.*

12       (d) *REPORTS BY THE SECRETARY.*—

13           (1) *INTERIM REPORTS.*—*Not later than 90 days*  
 14 *after the end of the calendar year in which the Sec-*  
 15 *retary first authorizes a qualified entity to conduct a*  
 16 *demonstration project under this title, and every 12*  
 17 *months thereafter until all demonstration projects*  
 18 *conducted under this title are completed, the Sec-*  
 19 *retary shall submit to Congress an interim report set-*  
 20 *ting forth the results of the reports submitted pursu-*  
 21 *ant to section 412(b).*

22           (2) *FINAL REPORTS.*—*Not later than 12 months*  
 23 *after the conclusion of all demonstration projects con-*  
 24 *ducted under this title, the Secretary shall submit to*  
 25 *Congress a final report setting forth the results and*

1        *findings of all reports and evaluations conducted pur-*  
2        *suant to this title.*

3        *(e) EVALUATION EXPENSES.—The Secretary shall ex-*  
4        *pend such sums as may be necessary, but not more than*  
5        *2 percent of the amounts appropriated under section 416*  
6        *for a fiscal year, to carry out the purposes of this section.*

7        **SEC. 415. TREATMENT OF FUNDS.**

8        *Of the funds deposited in individual development ac-*  
9        *counts for eligible individuals only the funds deposited by*  
10       *the individuals (including interest accruing on those funds)*  
11       *may be considered to be the income, assets, or resources of*  
12       *the individuals, for purposes of determining eligibility for,*  
13       *or the amount of assistance furnished under, any Federal*  
14       *or federally assisted program based on need.*

15       **SEC. 416. AUTHORIZATION OF APPROPRIATIONS.**

16       *There is authorized to be appropriated to carry out*  
17       *this title, \$25,000,000 for each of fiscal years 1999, 2000,*  
18       *2001, 2002, and 2003 to remain available until expended.*